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SOUTH CAROLINA SANTEE COOPER



ANNUAL REPORT 1985-1986

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STATE DOCUMENTS

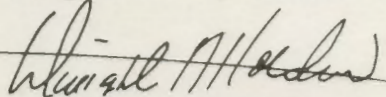
LETTER OF TRANSMITTAL

November 15, 1986

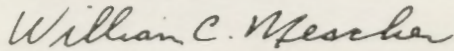
To: The Governor and General Assembly

In accordance with law, we are privileged to submit to you the Annual Report of Santee Cooper, South Carolina Public Service Authority for the fiscal year 1986.

Respectfully submitted,



Dwight A. Holder
Chairman of the Board



William C. Mescher
President and
Chief Executive Officer

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ANNUAL REPORT PRELUDE

People, power, and the Palmetto State. An inseparable, interdependent combination. The story of Santee Cooper from its very beginnings is one of people planning and working to produce power - electric power for people.

Power is the prime resource for economic progress, business growth, and industrial expansion. It is power that provides jobs, sustains employment, and is the basis for increased productivity.

Power produces the benefits for recreation and pleasure, for convenience, comfort, and a better quality of life.

Managing the resources, operating the facilities, financing the growth, and providing the energy services needed by people throughout the Palmetto State are the people of Santee Cooper - its employees.

Corporate Statistics

Fiscal Year	6/30/86	6/30/85	6/30/84	6/30/83	6/30/82	6/30/81	6/30/80	6/30/79	6/30/78	6/30/77
Total Utility Plant-net including nuclear fuel (at year end) (in thousands of dollars)	1,745,891	1,773,788	1,779,161	1,670,571	1,467,710	1,205,200	950,628	759,839	577,936	437,162
Bonded Indebtedness (at year end) (in thousands of dollars)	1,938,230	1,919,750	1,788,750	1,796,545	1,735,850	1,261,420	990,100	917,690	810,190	495,190
Operating Revenues (in thousands of dollars)										
Residential	46,529	41,414	35,572	28,098	27,121	21,949	17,639	15,255	14,585	10,801
Commercial	46,709	39,268	32,865	28,853	28,145	22,452	18,835	16,822	15,530	12,439
Industrial	139,681	152,549	132,833	124,015	131,189	99,551	40,417	35,131	26,672	21,557
Military	18,000	15,649	13,978	12,893	12,487	9,225	6,954	6,567	6,330	5,049
Municipal	1,792	1,575	1,254	1,029	955	704	587	546	526	422
Wholesale	198,826	177,906	140,211	126,104	105,994	90,971	65,997	59,975	54,101	42,265
Other Electric Utilities*	—	—	—	—	—	—	—	—	—	975
Miscellaneous	3,463	2,261	1,986	1,716	1,840	1,494	1,364	1,401	1,236	1,219
Total	455,000	430,622	358,699	322,708	307,731	246,346	151,793	135,697	118,980	94,727
Operation & Maintenance Expenses Charged to Operations (in thousands of dollars)	260,955	259,233	236,389	218,976	226,320	187,890	109,997	103,928	88,144	71,904
Payments in Lieu of Taxes Charged to Operations (in thousands of dollars)	2,176	1,920	1,750	981	565	966	928	726	658	734
Payments to the State Charged to Reinvested Earnings (in thousands of dollars)	1,901	1,700	1,600	1,500	1,400	1,300	1,300	1,200	1,201	1,797
Net Operating Revenues Available For Debt Service (in thousands of dollars)	219,072	195,899	136,186	118,230	94,219	66,503	46,732	35,958	33,796	28,091
Reinvested Earnings** (in thousands of dollars)	30,106	45,948	50,515	41,057	53,131	29,330	21,406	10,791	5,516	8,978
Debt Service Coverage:										
Expansion Bonds	1.47	1.61	1.83	1.69	2.18	1.90	2.41	2.12	2.30	3.34
Priority Obligation & Expansion Bonds	1.46	1.59	1.78	1.65	2.07	1.79	2.14	1.88	1.98	2.46
Kilowatthour Sales (in thousands)										
Residential	720,438	672,865	646,467	559,929	541,522	536,461	472,495	443,186	446,247	403,107
Commercial	812,520	738,430	688,748	595,724	569,474	549,737	511,726	506,243	489,437	449,335
Industrial	4,557,796	4,501,626	4,232,994	3,940,370	4,049,632	3,952,408	1,890,415	1,788,087	1,441,494	1,356,706
Military	443,064	405,802	392,309	373,403	350,127	343,258	306,582	316,537	323,763	302,789
Municipal	30,500	29,571	25,448	20,236	17,841	17,572	17,506	16,966	16,670	15,495
Wholesale	4,214,322	3,878,087	3,798,454	3,422,275	3,351,388	3,470,042	3,099,574	2,881,781	2,843,955	2,576,794
Total	10,778,640	10,226,381	9,784,420	8,911,937	8,879,984	8,869,478	6,298,298	5,592,800	5,561,566	5,104,226
Number of Customers (at year end)										
Residential	63,895	59,755	55,610	50,255	46,310	43,462	40,053	38,058	35,590	32,513
Commercial	13,733	13,553	11,601	10,583	10,129	9,754	9,236	8,859	8,466	8,102
Industrial	26	26	26	25	25	25	24	21	20	19
Military	3	3	3	3	3	3	3	3	3	3
Municipal	372	342	329	300	224	216	212	207	197	189
Wholesale	3	3	3	3	3	3	3	3	3	3
Total	78,032	73,682	67,572	61,169	56,694	53,463	49,531	47,151	44,279	40,829
Residential Statistics (average)										
Kilowatthour Consumption/Customer	11,591	11,696	12,240	11,708	12,093	12,875	12,151	12,097	13,174	12,832
Cents/Kilowatthour	6.46	6.15	5.50	5.02	5.01	4.09	3.73	3.44	3.27	2.68
Generating Capability (year end) (megawatts)	2,759	2,764	2,764	2,265	1,965	1,965	1,736	1,456	1,400	1,120
Power Requirements and Supply (kilowatthours in millions)										
Generation-										
Hydro	413	485	628	694	522	414	824	680	702	715
Steam	8,472	8,442	7,287	7,840	8,492	8,620	5,800	5,343	5,238	4,402
Combustion Turbine	—	1	2	—	18	31	10	6	38	21
Nuclear	1,871	1,516	1,931	494	—	—	—	—	—	—
Total	10,756	10,444	9,848	9,028	9,032	9,065	6,634	6,029	5,978	5,138
Purchases, Net Interchange, Etc.	353	227	355	333	380	371	193	429	95	474
Total	11,109	10,671	10,203	9,361	9,412	9,436	6,827	6,458	6,073	5,612

Calendar Year	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
Territorial Peak Loads (megawatts)	2,006	1,824	1,810	1,685	1,754	1,554	1,352	1,231	1,161	1,065

*Effective July 1, 1977, Interchange sales were reclassified as a credit to purchased power.

**Reinvested earnings referred to above and on pages 49, 50, and 51 reflect revenue available to meet Santee Cooper's Bond Indenture and Resolution requirements.

Financial Summary

Since Santee Cooper was created in 1934, a net amount of \$2,098,143,000 has been invested in its production, transmission, distribution, and general plant facilities. These capital additions have been financed through reinvested earnings, issuance of electric revenue bonds and notes, lease contracts, and a federal grant-in-aid of \$34,438,000.

Santee Cooper's net earnings before taxes since the first power was generated in 1942 total \$394,436,000. Payments in lieu of taxes have been made to the State of South Carolina totaling \$26,423,000, and to the counties and municipalities within our service territory totaling \$14,263,000. The remaining net earnings of \$353,750,000 have been reinvested in the Authority.

Revenue bonds totaling \$2,966,609,000 have been issued since the creation of Santee Cooper. Series B bonds which were originally issued in 1949, 1971, 1976, and 1981 have been advance refunded and defeased. Also, portions of the 1980 Series A, 1981 Series A & C, and 1982 Series A & B have been advance refunded and defeased.

All refunding bonds had an outstanding balance of \$958,649,000 at the time they were refunded. Principal payments on all bond issues, including the issues refunded, total \$69,730,000. Outstanding bonds as of June 30, 1986, totaled \$1,938,230,000. The average annual interest cost on these bonds is 7.5 percent.

As of June 30, 1986, unexpected funds from the sale of bonds amounted to \$63,593,000 in addition to debt reserve, debt service, interest and special funds which totaled \$271,771,000.

Comparative Highlights

<u>Fiscal Year</u>	<u>1986</u>	<u>1985</u>	<u>% Change</u>
Retail Customers Served	78,000	73,650	5.90
Average Annual Residential Consumption (kilowatthours)	11,591	11,696	(0.90)
Average Residential Cost (per kilowatthour)	6.46 cents	6.15 cents	5.00
Operating Revenue	\$455,000,175	\$430,621,983	5.70
Gross Income	\$481,687,205	\$456,556,849	5.50
Electric Operating Expenses	\$326,895,138	\$322,793,420	1.30
Gross Expenses	\$477,643,805	\$474,049,890	0.80
Other Deductions	\$ 1,800,297	\$ 3,766,000	(52.20)
Costs to be recovered from future revenue	\$ 27,863,063	\$ 67,207,278	(58.50)
Energy Sales (megawatthours)	10,778,640	10,226,381	5.40
Bulk Energy Sales to other Utilities	104,463	191,941	(45.60)
Territorial Peak Demand (megawatts)	2,123	2,006	5.80
<u>Calendar Year</u>	<u>1985</u>	<u>1984</u>	<u>% Change</u>
Territorial Peak Demand (megawatts)	2,006	1,824	10.00

OUR MISSION

Santee Cooper's major purpose is to provide reliable and economic electric power as well as other appropriate services and resources which benefit the people of South Carolina. We do so by constructing and efficiently operating electric generation, transmission, and distribution facilities; promoting and practicing conservation of energy resources; and supporting community, economic, and recreational development. Our commitment through every corporate endeavor is to improve the quality of life for our customers and the people of South Carolina.

Our system is financed independent of tax revenues or state-appropriated funds. As a state-owned utility corporation, we sell electric power to retail customers, industries, military installations, and to electric cooperatives and municipal power departments for resale to their customers.

Our state-appointed board of directors approves our operating budgets and sets our rates using prudent business judgment and practices to maintain our financial position and to protect our customers, bondholders, and employees.

We support a positive business climate by providing needed energy services and by maintaining competitive electric rates. This benefits our existing customers and attracts business and industrial development, with the creation and retention of jobs.

While our product is energy, our most important resource is people - the employees who manage and operate our company, and the customers and citizens we serve.

Each of our employees contributes to our mission. We seek to attract, employ, and promote high-quality employees in order to ensure maximum productivity and efficiency. We reward performance through competitive compensation and benefit programs, comprehensive management skills training, and opportunities for career development.

We are committed to be a good neighbor in the communities in which we operate and to construct and operate our facilities in an environmentally sound manner.

To fulfill our mission, we strive to communicate efficiently with our employees and customers, the financial community, and the public.

LETTER FROM CHAIRMAN AND PRESIDENT

In Fiscal Year 1986, Santee Cooper continued its improved performance, and we believe our efficiency of operation was a major contributing factor.

In moving from a support to a leadership role in the economic development of our state, Santee Cooper will contribute to the business and industrial growth and development of South Carolina. To support that move, Santee Cooper established an Economic Development Rate for new and expanding industries. This will improve our revenues and help bring new jobs to the state. Already, this has generated an impressive increase in prospect activity.

Customer reception of our operations and performance remains favorable even following a general rate increase in November. Customer relations were improved by keeping our rates among the lowest in the state and southeast.

We also restructured residential rates to reduce the cost of electricity used by our year-round all-electric customers. We believe this new rate will be an excellent marketing tool in competition with other energy sources.

In addition, working jointly with our coal and rail suppliers, we provided short-term rate relief to our three largest industrial customers which were facing plant cutbacks or closures. This, plus cost-reduction actions by the customers, allowed all three industries to continue operating at full production.

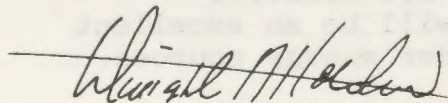
Our concentration on customer relations and economic growth did not lessen attention to our financial activities. The industrial rate relief slowed our increase in gross revenues to 3 percent. However, by controlling operating expenses, we increased our net operating income by 19 percent and our accumulated reinvested earnings by 8.7 percent. Our debt-to-equity ratio was improved by 5.0 percent and our operating-expense-to-operating-revenue ratio was reduced by 3 percentage points. Through an advance refunding, we reduced annual interest on long-term debt by \$2.4 million. These improvements in our short-term and long-term financial statuses helped us maintain favorable bond ratings with the rating agencies.

Another major factor sustaining Santee Cooper's growth was the continuing surge of residential and commercial growth and development along South Carolina's Grand Strand. Hotels, condominiums, restaurants, and shopping malls continue to be built, along with new residential and

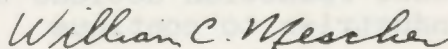
business developments, golf courses, and a host of recreational facilities. The strong growth in both demand and energy from that sector of our customer mix helped maintain Santee Cooper's forward momentum.

This report goes beyond the numbers and the narrative which describe a year of challenge and achievement. With the theme of "People and Power," we pay tribute to the relationship between this utility and its most important resources--the people we employ and those we serve--employees, customers, citizens, community leaders, naturalists, and investors. In this report, they will share perspectives which will help you understand this relationship.

South Carolina's greatness is the product of its people, and Santee Cooper's success is no different. With the strength and dedication of our employees, the support of our customers, and the opportunity to meet the needs expressed by our citizens, Santee Cooper will ensure that everything we do contributes to the continued progress and prosperity of the Palmetto State.



Dwight A. Holder
Chairman of the Board



William C. Mescher
President and
Chief Executive Officer

Energy Sales

At the end of the fiscal year, Santee Cooper was providing electrical service to 78,000 residential, commercial, and other retail customers, an increase of 4,350 or 6.0 percent over the previous year. Of this increase, 4,140 were residential and 210 were commercial and other. This compares with growth in 1985 of 4,145 residential and 1,965 commercial and other customers. The overall growth rate in new customers was 33.0 percent less than the 9.0 percent growth rate the previous year.

Sales to these retail customers were 1,563,458 megawatthours, up 8.5 percent over the previous year. This compares to last year's growth in energy sales of 5.9 percent.

The average annual consumption of electricity by Santee Cooper residential customers decreased to 11,591 kilowatt-hours, 0.9 percent lower than the previous year but 29.7 percent greater than the national average.

The average cost per kilowatthour for Santee Cooper residential customers was 6.46 cents, 5.0 percent higher than the previous year but 13.1 percent lower than the national average.

The average cost of power for Santee Cooper commercial customers, was 5.75 cents per kilowatthour, up 8.3 percent from 1985.

Industrial sales were 4,557,795 megawatthours, up 1.2 percent over the previous year. The average cost of power to industrial customers was 3.06 cents per kilowatthour, 9.7 percent less than the previous year.

Sales to U.S. Air Force bases at Charleston and Myrtle Beach and to the Charleston Naval Station increased 9.2 percent from 405,802 megawatthours to 443,064 megawatthours.

Sales to 15 electric cooperatives through Central Electric Power Cooperative, Inc., Santee Cooper's largest single customer, increased 8.8 percent to 4,078,809 megawatthours. The electric cooperatives distribute Santee Cooper power to about 280,000 customers in 35 counties of the state.

Sales to the municipalities of Bamberg and Georgetown increased 5.2 percent.

DISTRIBUTION SYSTEM

Dynamic growth in residential and commercial development continues to be the driving economic force along South Carolina's Grand Strand, which is served by the Horry-Georgetown Division.

The Horry-Georgetown Division is responsible for Santee Cooper's transmission and distribution operations in the two-county area, as well as the retail sales within the service area. This includes the municipalities of Atlantic Beach, Briarcliffe Acres, Conway, Loris, Myrtle Beach, North Myrtle Beach, and Surfside Beach. Pawleys Island was incorporated and added to the municipalities served by the division. Also served are the unincorporated areas of Arcadian Shores, Garden City, Murrells Inlet, and Waccamaw Neck.

Major indicators of rapid growth for the area include Dunn and Bradstreet Corporation's survey ranking Horry County among the 15 fastest-growing counties in the United States. Horry was ranked 13th nationally behind counties in the Atlanta and Houston metro areas and ahead of greater Miami.

Service in the two-county area was provided to 73,041 customers, a 6 percent increase over 1985. Energy sales for the year totaled 1,463,513 megawatthours with revenue of \$89,588,066.

Continued rapid growth in the division has required additional office and operations space. A new retail office in North Myrtle Beach is under construction. The 4,125 square-foot facility will include customer service and area engineers' offices, an operations center and a warehouse. It is expected to be completed by Fall 1986.

Construction was begun on a new transportation services center at the future site of the division complex, located between Myrtle Beach and Conway. The 17,000 square-foot building will include garage and related services space and will serve as the central location for all transportation facilities for the division. Completion of the first phase of construction is expected in Spring 1987.

The new division distribution Supervisory Control and Data Acquisition (SCADA) system was completed in June, and substation dispatchers moved from their Myrtle Beach substation site to the facilities located at the Conway office complex. The SCADA system will monitor and control the distribution and transmission substations in the two

counties, providing increased customer service reliability. The system will also provide data necessary for accurate planning.

During the past year, residential and small commercial construction was at an all-time high for the Moncks Corner district. This includes the towns of Moncks Corner and St. Stephen and the unincorporated areas of Pinopolis, Bonneau Beach, and Lions Beach. The number of customers increased 3.7 percent to a total of 4,959.

Underground service was provided to a residential subdivision consisting of 26 lots, with an additional 100 lots to be developed later. Service was provided to several commercial office buildings and a new automobile dealership.

To provide for new growth and improve service to existing customers, a new distribution feeder circuit was constructed, and an existing circuit reconducted to provide for new growth and to improve service to existing customers.

Business and industrial growth projected for the Trident area indicates an even stronger growth rate for the Moncks Corner district in the coming year.

ENERGY MANAGEMENT

Promoting low cost and efficient use of energy to satisfy the needs of its customers was the effort of Santee Cooper's Energy Management section during the past year. Conservation was emphasized to influence peak load and to delay future plant construction.

Energy Management and the Rates and Statistics division received a \$25,000 Demonstration of Energy Efficient Developments grant from American Public Power Association. The grant provides funding for a computer program that will use data from solid-state recorders on residential meters to aid in rate design and marketing research.

Cooperating with a local builder and development firm, Santee Cooper announced the first energy efficient subdivision in the company's service area. The Foxcroft subdivision in Myrtle Beach will consist of 36 single-family homes, all meeting Santee Cooper's energy efficient home standards. Several of these residences will be monitored with solid-state recorders and will be compared for energy use with a control group in an adjacent subdivision.

Energy audits, providing proven cost-effective suggestions on ways to save energy and dollars, were given to 421 residential customers. A commercial energy audit program helped businesses save energy and dollars by improving load factor and lowering demand. Ninety-three commercial audits were conducted.

Load calculations and thermal design analyses for electric heating and cooling systems were provided for 646 residential customers and 123 commercial customers. The program, available to all Santee Cooper customers, helped in the proper selection of equipment, which eliminates oversizing and the resulting effect on peak load.

The Weatherization, Insulation and Solar Energy (WISE) Program provided \$278,188 in low-interest loans to residential customers for upgrading or installing insulation, weatherstripping, storm windows, heat pumps, solar water heaters, and heat recovery devices. No-interest loans were made to certain qualified customers. WISE loans included \$197,584 for installation of new electric heat pumps. There were 14 conversions from fossil fuel systems and 30 from electric resistance heat to heat pumps. Approximately \$647,217 has been loaned by the WISE Program since it began in 1982.

Santee Cooper's Passive Solar Demonstration Home Project is still being monitored to verify performance. The solar home experience is helping the development of new marketing plans to improve residential load factors.

Educational seminars on energy conservation were coordinated by Energy Management personnel for teachers, heat pump installers, architects, builders, developers, realtors, and Santee Cooper employees.

Santee Cooper's Energy Management section established the South Carolina Energy Products Evaluation Committee, a state-wide organization. The committee reviews new energy-saving products and literature to determine acceptability and fight energy fraud. The group is associated with the State Consumer Affairs Department.

Educational resources were provided to schools, community groups, and clubs in Santee Cooper's service area, and the company sponsored National Energy Education Day (NEED) in Horry County. A leadership conference, with representation from each school, was held at the beginning of the school year. The conference introduced available energy resources and explained the importance of making energy awareness a part of education. Pee Dee Elementary School won the South

Carolina Energy Award and the National Junior Level School of the Year Award in NEED competition in Washington.

Energy Management worked with neighboring power companies and other utilities throughout the country to evaluate and study new ideas, educate consumers, and promote residential and commercial energy conservation.

GENERATION AND LOAD GROWTH

Santee Cooper facilities, including one-third ownership of the V.C. Summer Nuclear Station, generated 10,755,956 net megawatthours of electricity this year, an increase of 312,249 megawatthours, or 3.0 percent over last year.

Of the total power generated, 78.8 percent was produced by coal, 17.4 percent by nuclear, and 3.8 percent by hydro. Peak hourly demand for the year reached 2,123 megawatthours, an increase of 5.9 percent over the previous year.

NUCLEAR POWER

During the past year the V.C. Summer Nuclear Station, jointly owned with South Carolina Electric and Gas Company, continued to provide economical and dependable power. It generated almost 1.9 billion kilowatthours of electricity for Santee Cooper customers, which was 17.4 percent of Santee Cooper's total generation. Savings to customers were more than \$26 million compared to the cost of fossil fuels. For FY 86, the station achieved a capacity factor of 72.6 percent.

During the Fall of 1985 the station underwent its second refueling, at which time a modified fuel load was installed. This will extend the interval between future refuelings to 18 months, rather than the 12 months for previous fuel cycles, and will result in increased capacity operation and reduced frequency of scheduled outages. The next refueling is scheduled to begin in mid-March 1987 and last approximately eight weeks.

SYSTEM PLANNING

System Planning was reorganized at the beginning of 1985 to improve coordination and communications with Power Supply and to improve productivity. The System Planning staff was also increased by 25 percent, from 8 to 10.

POWER SUPPLY

Computerization has helped increase efficiency during the past year in areas of transmission and generation system control. With the Supervisory Control and Data Acquisition System (SCADA), System Control personnel obtained operating information from outlying substations and generating units and operated this equipment remotely. They also used SCADA to analyze generation load information to make required adjustments in system generation. An off-line computer program was used to help determine the optimum unit commitment, power sales, and purchases for the most economical power supply operation.

Short and medium-term planning operations were expanded to include problem-area studies and contingency analyses to provide maximum system security under all operating conditions year-round. Santee Cooper's short-term system planning got a boost with the addition of a computerized color radar system. With this advanced warning system, system controllers can prepare for any severe weather conditions which may affect system security.

System Control purchased 111,124 megawatthours of power from the interconnected utilities in FY 86 to displace higher cost generation for a savings of \$1,053,188. In addition, 104,463 megawatthours of power were sold to the interconnected utilities for a total of \$2,911,318. The result was additional revenue to Santee Cooper and reduced power costs for the interconnected utilities.

TRANSMISSION

Santee Cooper's transmission system consists of 3,346 miles of line and 54 substations and switching stations with voltages ranging from 34,000 to 230,000 volts. Transmission facilities are located in 38 of the state's 46 counties.

More than 11 billion kilowatthours of electricity were delivered to about 356,000 customers within the state either directly or indirectly through Santee Cooper transmission facilities. This included power provided for two municipalities, three military installations, 26 large industrial customers, and 15 of the state's 20 electric cooperatives served through 212 delivery points. The co-ops serve approximately 280,000 customers in South Carolina's rural and urban areas.

During the past year, 10 electric cooperative delivery points were added to the transmission system.

A loop-feed transmission system and the ability of transmission crews to perform most maintenance work on energized circuits provided Santee Cooper customers with very reliable service.

The new 15-mile-long Mateeba to Johns Island 230,000 volt line was placed into service in May, 1986, along with the new Johns Island 230/115 kV substation and the new Mateeba 230 kV switching station. These facilities allowed Santee Cooper to serve the Berkeley Cooperative facilities on Johns Island. Eight transmission tap lines were constructed during the year. All substation construction plus some transmission line construction was performed by Santee Cooper crews to eliminate contract labor and reduce costs.

To further increase the reliability of service to customers, Santee Cooper maintained 12 transmission interconnections with adjacent utilities throughout the system.

RELIABILITY

To improve system reliability, Santee Cooper maintains interconnections with other electric utilities including the Southeastern Power Administration and Southern Company at the R.B. Russell Dam; with South Carolina Electric & Gas Company at Bushy Park, North Charleston, St. George, Columbia, and the Summer Nuclear Station; with Southeastern Power Administration, Duke Power Company, and the Southern Company at Clark-Hill; and with Carolina Power & Light Company at Darlington, Hemingway, Kingstree, Lugoff, and Robinson.

In addition, the company is negotiating with Savannah Electric Power Company and Georgia Power Company on a three-way 230 kV interconnection across the Savannah River which will provide a significant increase in reliability to the southern half of the Santee Cooper system.

Santee Cooper is one of 28 member organizations in the Southeastern Electric Reliability Council, comprised of all power suppliers in the region with at least 25 megawatts of generating capacity each. Through the council, member systems coordinate overall planning to achieve maximum reliability of power supply.

Santee Cooper is also one of seven power systems in the Virginia-Carolinas Reliability Group, which also includes Carolina Power & Light Company, Duke Power Company, South Carolina Electric & Gas Company, Southeastern Power Administration, Virginia Power, and Yadkin, Inc.

ENGINEERING AND CONSTRUCTION MANAGEMENT

During the past year, the majority of all construction activities associated with Cross Unit No. 2 were finished, most of the contracts for Cross Unit No. 1 were canceled, and project engineering and construction management services for major equipment upgrades at Winyah Generating Station were provided. The section also expanded its scope of activities to include projects which fell outside the area of electrical power generation.

At Cross Station, equipment suppliers were required to upgrade the performance of the boiler and the air heater. Although arbitration continues for correction by the contractor of the flue gas desulfurization (FGD) system performance deficiencies, the system has been temporarily modified to support its operation and maintenance.

Several projects involving site work, steel access platforms, and coal car unloading facilities were designed and installed. The boiler feed pump turbine drives were placed in storage at Cross Station to avoid storage costs at the supplier's location. Engineering was completed to replace the plastic temporary wall of the turbine building with metal siding.

At Winyah Station, the Unit No. 2 boiler modification was tested, and the manufacturer was required to design further improvements which will be installed under warranty next year. A major modification to the Unit No. 4 FGD System was designed and installed during the spring outage. This improved reliability and efficiency, and decreased operation and maintenance costs. The heating water system from Unit No. 3 and Unit No. 4 cooling towers to the commercial greenhouse was completed and placed in operation.

Three projects were completed during the year which were not directly related to power generation. A waste-to-energy study report on reducing the landfill requirements in the 11 coastal counties was completed in October and presented to the board of directors. A study concerning the use of the lake system as a regional water supply system was completed in June, and the report was presented to the board in July. This section also provided technical assistance and construction management for the main office complex pavement improvement project.

POWER GENERATING STATIONS

Jefferies Hydro Generating Station

Location: Pinopolis, SC

Fuel Type: Hydroelectric

Generating Capability: 128 megawatts

Construction Cost: \$58.6 million/
\$458 per kw

Began Commercial Operation: 1942

FY 1986 Generation: 211 million kwh

Fuel Consumption - FY 1986: none

Fuel Cost - FY 1986: none

Fuel cost per kwh: none

Principal Features:

Jefferies Hydro has four turbine generators which were initial units for the Santee-Cooper Hydro Electric and Navigation System in 1942. Powerhouse is located at base of Lake Moultrie, with water level 75 feet above Tailrace Canal. Single-lift lock provides boat passage between Cooper River and Santee Cooper lakes. Water source is cumulation of rivers and streams draining 15,000 square mile Santee River Basin Watershed, which extends through the central and upper part of the state into western North Carolina.

Santee Spillway Generating Unit

Location: Pineville, SC

Fuel Type: Hydroelectric

Generating Capability: 2 megawatts

Construction Cost: \$400,000/
\$200 per kw

Began Commercial Operation: 1950

FY 1986 Generation: 11.7 million kwh

Fuel Consumption - FY 1986: none

Fuel Cost - FY 1986: none

Fuel cost per kwh: none

Principal Features:

Hydro unit with small turbine generator was installed to generate power using the required discharge of 515 cfs into Santee River. Unit is operated remotely from Jefferies Steam Generating Station. Spillway is used in utility's flood control program for releases of water down Santee River.

Grainger Steam Generating Station

Location: Conway, SC

Fuel Type: Coal

Generating Capability: Units 1 & 2 - 170 megawatts

Construction Cost: \$29.2 million/
\$172 per kw

Began Commercial Operation: 1966

FY 1986 Generation: 895.6 million kwh

Fuel Consumption - FY 1986: 362,786 tons of coal

Fuel Cost - FY 1986: \$15,432,780.51

Fuel cost per kwh: 1.723 cents

Principal Features:

Grainger Steam Generating Station was constructed by and is owned by Central Electric Power Cooperative, Inc. with funds received through a Rural Electrification Administration loan. The plant is operated and maintained by Santee Cooper, which is making payments on the long term REA loan. When the loan is paid off, Santee Cooper will maintain ownership of the station.

Jefferies Steam Generating Station

Location: Pinopolis, SC

Fuel Type: Units 1 & 2 - Oil
Units 3 & 4 - Coal

Generating Capability: Units 1 & 2 - 92 megawatts
Units 3 & 4 - 306 megawatts

Construction Cost: Units 1 & 2 - \$15.7 million/
\$171 per kw
Units 3 & 4 - \$54.8 million/
\$179 per kw

Began Commercial Operation: Units 1 & 2 - 1954
Units 3 & 4 - 1970

FY 1986 Generation: Units 1 & 2 - none
Units 3 & 4 - 1.1 billion kwh

Fuel Consumption - FY 1986: Unit 1 - 0
Unit 2 - 0
Unit 3 - 261,952 tons
of coal
Unit 4 - 235,010 tons
of coal

Fuel Cost - FY 1986: Units 1 & 2 - none
Units 3 & 4 - \$22,638,368.26

Fuel cost per kwh: Units 1 & 2 - NA
Units 3 & 4 - 1.979 cents

Principal Features:

Jefferies Steam Units 1 and 2 are oil-fired turbine generators. Installed when oil was the most economical source of fuel, these units are used basically on a standby basis and for peak load generation. Units 3 and 4 were initially oil-fired and later converted to coal to take advantage of the more economical fuel.

Myrtle Beach Combustion Turbines

Location: Myrtle Beach, SC

Fuel Type: Oil

Generating Capability: Units 1 & 2 - 20 megawatts
Units 3 & 4 - 40 megawatts
Unit 5 - 30 megawatts

Construction Cost: Units 1 & 2 - \$2.9 million/
\$145 per kw
Units 3 & 4 - \$4.5 million/
\$113 per kw
Unit 5 - \$2.7 million/
\$90 per kw

Began Commercial Operation: Units 1 & 2 - 1962
Units 3 & 4 - 1972
Unit 5 - 1976

FY 1986 Generation: 129,000 kwh

Fuel Consumption - FY 1986: 87,837 gallons of oil

Fuel Cost - FY 1986: \$66,186.25

Fuel cost per kwh: 51.307 cents

Principal Features:

Myrtle Beach combustion turbines were installed to help meet extraordinary peak demands resulting primarily from summertime population explosion along Grand Strand resort area. Units are presently used for peak load generation.

Hilton Head Combustion Turbines

Location: Hilton Head Island, SC

Fuel Type: Oil

Generating Capability: Unit 1 - 20 megawatts
Unit 2 - 20 megawatts
Unit 3 - 57 megawatts

Construction Cost: Unit 1 - \$2.7 million/
\$135 per kw
Unit 2 - \$2.2 million/
\$110 per kw
Unit 3 - \$9.8 million/
\$172 per kw

Began Commercial Operation: Unit 1 - 1973
Unit 2 - 1974
Unit 3 - 1979

FY 1986 Generation: none

Fuel Consumption - FY 1986: NA

Fuel Cost - FY 1986: none

Fuel cost per kwh: NA

Principal Features:

Hilton Head Combustion Turbines were added to system to assist in meeting growing peak load demand, particularly on the most southern end of Santee Cooper's transmission system. Units also provide 97 megawatts of backup emergency generation for the barrier island resort community if it should be cut off from the mainland power supply by a hurricane or other severe weather.

Winyah Steam Generating Station

Location: Georgetown, SC

Fuel Type: Coal

Generating Capability: Units 1, 2, 3, & 4 -
270 megawatts each

Construction Cost: Unit 1 - \$ 62.4 million/
\$231 per kw
Unit 2 - \$ 73.2 million/
\$271 per kw
Unit 3 - \$118.0 million/
\$437 per kw
Unit 4 - \$110.7 million/
\$400 per kw

Began Commercial Operation: Unit 1 - 1975 Unit 2 - 1977
Unit 3 - 1980 Unit 4 - 1981

FY 1986 Generation: Unit 1 - 1.4 billion kwh
Unit 2 - 1.1 billion kwh
Unit 3 - 725.3 million kwh
Unit 4 - 493.7 million kwh

Fuel Consumption - FY 1986: Unit 1 - 556,454 tons
of coal
Unit 2 - 466,169 tons
of coal
Unit 3 - 315,395 tons
of coal
Unit 4 - 213,107 tons
of coal

Fuel Cost - FY 1986: Unit 1 - \$ 26,886,705.49
Unit 2 - \$ 22,562,635.33
Unit 3 - \$ 15,460,774.16
Unit 4 - \$ 10,377,835.88

Fuel cost per kwh: Unit 1 - 1.974 cents
Unit 2 - 2.026 cents
Unit 3 - 2.132 cents
Unit 4 - 2.102 cents

Principal Features:

Winyah is Santee Cooper's largest generating station. Units were constructed during a half-decade of OPEC-driven high inflation, rising construction costs, and fastest growing period of demand and energy growth in company's history.

Summer Nuclear Generating Station

Location: Jenkinsville, SC

Fuel Type: Nuclear

Generating Capability: 300 megawatts
(1/3 of 900 megawatts)

Construction Cost: \$335.4 million/
\$1,118 per kw

Began Commercial Operation: 1983

FY 1986 Generation: 1.9 billion kwh

Fuel Cost - FY 1986: \$ 10,113,582.87

Fuel cost per kwh: 0.540 cents

Principal Features:

Santee Cooper has one-third share of nuclear plant which is jointly owned with South Carolina Electric and Gas Company. SCE&G operates and maintains plant. When unit was constructed, it was the first joint nuclear project in the southeast between public and private utilities.

Cross Steam Generating Station

Location: Cross, SC

Fuel Type: Coal

Generating Capability: 500 megawatts

Construction Cost: \$363.3 million/
\$727 per kwh

Began Commercial Operation: 1984

FY 1986 Generation: 2.7 billion kwh

Fuel Consumption - FY 1986: 1,040,551
tons of coal

Fuel Cost - FY 1986: \$50,885,748.38

Fuel cost per kwh: 1.857 cents

Principal Features:

Cross Station has the largest single unit in Santee Cooper's generating system. It is located between Lakes Marion and Moultrie. A unique feature is the adjoining Aquaculture Center with a two-and-one-half acre greenhouse which operates using residual heat from the station's cooling cycle.

St. Stephen Hydro Generating Station

Location: St. Stephen, SC

Fuel Type: Hydro

Generating Capability: 84 megawatts

Construction Cost: \$63.7 million/
\$750 per kw

Began Commercial Operation: 1985

FY 1986 Generation: 189.1 million kwh

Fuel Consumption - FY 1986: none

Fuel Cost - FY 1986: NA

Fuel cost per kwh: NA

Principal Features:

St. Stephen Power Plant was constructed and is maintained by the U.S. Army Corps of Engineers as part of the Cooper River Rediversion Project. It is operated remotely by Santee Cooper from the energy control center in Moncks Corner. The Rediversion Project was designed to reduce the silting of Charleston Harbor. With its operation, water previously discharged through the generating turbines at the Pinopolis Power House is rediverted through the St. Stephen facility and discharged into the Santee River.

PRODUCTION OPERATIONS

A record-setting five turbine-generator overhauls were performed this year by in-house personnel, eliminating turbine-generator maintenance contracts and reducing labor and outside contractor's costs approximately 40 percent.

In the first major outage since initial start-up in 1983, Cross Generating Station's turbine-generator was disassembled, inspected, and reassembled after a warranty inspection.

Jefferies, the oldest generating station, and Cross, the newest station, were co-winners of the first goals program competition, which resulted in a lower fuel cost per kilowatthour generated for FY 86.

An aggressive fly ash by-product marketing and sales program was begun this year to generate revenue from a waste product while reducing requirements for fly ash ponds and large construction investments. Total sales of the by-product in FY 86 were 8,156 tons for \$34,582. Next year's projected sales are 39,000 tons, estimated at \$180,000 revenue.

PERFORMANCE AND ENVIRONMENTAL SERVICES

The combined efforts of Performance and Environmental Services contributed to the Santee Cooper's efficient and economical generation of power in the most environmentally acceptable manner.

The Performance group conducted comprehensive thermodynamic tests on each of the nine coal-fired generating units to document unit heat rates and identify potential improvement of unit efficiencies. This information was also used to help predict unit maintenance requirements, determine which units are the most economical to operate, and calculate precise costs for generating electricity.

An analysis program was started in which field test data are used to construct a specific thermodynamic computer model of each generating unit. This investigation of design criteria, alternate operation modes, operating abnormalities, and maintenance requirements resulted in increased reliability and more economical operations.

Environmental Services provided technical assistance to the generating stations and other divisions Santee

Cooper in such areas as hazardous and non-hazardous wastes, acid rain, surface water, ground water, air, underground storage tanks, and PCBs in order to ensure compliance with state and federal environmental regulations.

DESIGN ENGINEERING

Design Engineering was challenged during the past year with demanding schedules for several transmission and substation projects planned or constructed on the Santee Cooper system. In meeting the challenges presented by these projects, a strong professional staff and the utilization of computer capabilities have been essential. All areas of Design Engineering have been called upon for their resources, including substation design, communications and SCADA design, transmission design, survey, and a number of support groups.

Major design projects include the McIntosh tie with Savannah Electric Power and Georgia Power companies and the new Union Carbide plant. The Johns Island and Mateeba projects were completed during the year.

For all of these projects, early coordination of design was essential. Requirements were established at an early date, and manufacturing schedules for major equipment are monitored closely to prevent delays in delivery. Standard designs and computerized drawings are applied wherever possible to decrease engineering and drafting time. To reduce field problems, construction groups are consulted during the design stage.

These measures and others will allow the division to continue providing project design in a timely manner for the benefit of Santee Cooper's customers.

PROJECT MANAGEMENT

The Project Management division of Engineering and Operations administers substation and transmission line capital improvement and maintenance projects.

From the planning phase through job completion, this division performed project engineering and control and construction management functions on approximately 140 active and forecast projects making up the 10-year construction budget.

Recently completed, the Johns Island service project included approximately 20 miles of 230 kV transmission line, a new 230 kV switching station at Mateeba, and a new 230/115 kV substation on Johns Island. This service allowed one of Santee Cooper's electric cooperative distributors to give better service to the Johns Island area, including the Kiawah and Seabrook Island resorts. Careful monitoring and excellent cooperation among the company's various units allowed this project to be completed on schedule and within budget.

GENERAL CONSTRUCTION

As capital construction performed by this area continues to grow, so do the requirements of operating and maintaining Santee Cooper assets, primarily the 42 miles of dams and dikes impounding the Santee Cooper Hydroelectric and Navigation Project. Yet, General Construction was able to lower its operation and maintenance budget by more than \$200,000 for FY 87, using innovative project management techniques.

The primary responsibility of General Construction is the safety and maintenance of the original project. The lake system covers more than 170,000 acres and contains nearly two million acre-feet of water. The lakes receive inflow from the confluence of the Congaree and Wateree Rivers with a total watershed of 15,000 square-miles. The 56-mile-long navigation channel was maintained by work forces in General Construction who removed floatage and repaired and maintained channel markers and buoys. Recent inspections by the Federal Energy Regulatory Commission (FERC) confirm that the project is in excellent condition for normal static loads and is well-maintained.

Santee Cooper is continuing its efforts to resolve what the FERC indicates to be seismic load deficiencies in the West Pinopolis Dam and North Santee Dam. The U.S. Army Corps of Engineers has been directed by Congress to analyze, design, and repair the West Pinopolis Dam, and construction is projected to begin in the Summer of 1987. Federal funding has been obtained to accomplish this work.

The FERC gave tentative approval to a Santee Cooper proposal which offers an alternative to new construction on the North Santee Dam. This plan requires Santee Cooper to provide and maintain for all residents immediately downstream of the North Santee

Dam a tone alert radio that would notify them in the event of an earthquake. The tone alert system would be activated by a National Weather Service transmitter installed at the Cross Generating Station. It would also be used to notify residents when spilling operations are planned or in the event of severe weather conditions. In addition, the FERC has required the installation of a siren warning system downstream of the North Santee Dam. A test of the emergency action plan will be performed in early 1987.

General Construction's ongoing services included clearing, grading, and site preparation of new substations and switching stations; installation of the station foundations; maintenance of access roads and drainages for Santee Cooper's 52 subdivisions; and construction services for the Horry-Georgetown Division and outlying offices.

CORPORATE COMMUNICATIONS

Corporate Communications increased its support in 1986 by providing a timely, accurate, and effective flow of information to Santee Cooper employees, customers, and the public.

The results include the increased awareness of Santee Cooper's operations and activities, attention-getting and motivating promotions for economic development and energy management, and improved employee, community, and customer relations.

More customers, record peak demands, increased emphasis on economic development, rate relief for economically distressed industrial customers, and increased productivity in power generation were among the subjects which were interpreted, explained, and communicated through a variety of communications programs.

An aggressive advertising and promotion campaign was developed to support the company's economic development program, with the theme "In South Carolina, We Will Give You The Closest Thing You'll Ever Get To A Guarantee...And More." The promotional program included production of a marketing booklet, video tape presentation, direct mail brochures, display, and a series of print media ads for leading business and industrial development publications.

Employee and external communications were improved through the redesign of formats and editorial direction in the company's publications. CONNECTIONS was changed from a quarterly magazine to an as-needed publication to present comprehensive treatment of important issues. THE SOURCE was developed as a more succinct bimonthly feature publication with shorter articles and a magazine tabloid format. And the weekly employee newsletter, NEWSBRIEFS, was modified to include a "Close-Up" center page feature, the use of photographs, and a section for Human Resource news.

IT ALL BEGAN WITH WATER was a corporate multi-image presentation produced to tell the story of Santee Cooper's strong environmental commitment and the management and protection of natural resources.

MAKING MONCK'S CORNER MAIN STREET USA was the theme developed for Monck's Corner's downtown revitalization program which was supported by Santee Cooper and managed on a full-time basis for one year by a member of the Corporate Communications staff.

Local, regional, and national recognition was received for achievements in advertising, promotion, and communication programs and projects conducted by Corporate Communications. This included honors and awards from the American Public Power Association, American Economic Development Council, Southern Industrial Development Council, Advertising Federation of Charleston, and Industrial Photography magazine.

FLOOD CONTROL

As part of its flood control program, Santee Cooper conducts spilling operations whenever necessary to maintain proper elevations of the Santee Cooper lakes and to reduce flooding of the lower Santee River.

Spilling was required for a total of only eight days during the months of November and December 1985, for an average spill of 8,535 cubic feet per second.

MOSQUITO ABATEMENT

Mosquito activity on project lands and waters was below the level of previous years because of extremely dry weather conditions throughout the period.

More than 7,000 inspections were conducted in the five-county area around the reservoirs to gather

entomological data for planning purposes. This section is responsible for a program that controls mosquitoes while preserving the environment.

More than 80,000 acres of land and water were treated for mosquito control during the fiscal year. To reduce breeding locations, underbrush habitats were cleared, and ditches and marshy areas were maintained, drained, and filled on more than 300 acres. Biological control with the mosquito fish, Gambusia affinis, was conducted in all suitable areas throughout the project.

WATER QUALITY MANAGEMENT

Sampling continued on a regular basis at the 50 water quality monitoring stations located throughout the Lake Marion-Lake Moultrie reservoir. Stations were monitored monthly for a broad spectrum of physical, chemical, and biological conditions, and 16,685 analyses were conducted during the year in the unit's laboratory. These data were transmitted to the Environmental Protection Agency's (EPA) Storet data base by in-house computer.

Noxious aquatic plant management continued as a problem in the lakes, particularly in the upper reaches of Lake Marion. Hydrilla, in a greater volume, spread over a larger area. Low pool levels in the lakes caused by drought conditions contributed to this increase. Control activities were conducted on 2,639 acres of aquatic vegetation during the year. EPA-approved herbicides were applied by helicopter, air boats, and truck-mount spray units. Total cost of the program was \$396,487 of which \$332,539 was funded by the S.C. Aquatic Plant Management Council.

AQUACULTURE

Approximately 400,000 Tilapia fish were produced at Santee Cooper's aquaculture hatchery at Winyah Station in Georgetown. For aquatic weed and algae control, most of these fish were stocked in Santee Cooper waters, including the Winyah Station cooling reservoir. Since the fish were first stocked in June 1977, expensive chemical control amounting to \$80,000 annually has not been required in the 400-acre reservoir.

More than 200,000 mosquito fish, Gambusia affinis, were supplied to the Mosquito Abatement section for mosquito larvae control on the Santee Cooper project.

Cooperative biological research efforts continued with the University of South Carolina's research unit, located on the South Santee River.

Genetic engineering research to produce a triploid (sterile) version of the Chinese Grass Carp was conducted during the last quarter of the year.

Approximately 200,000 fry were produced and are being raised at the aquaculture site. Refinements will be made in the hatching process and full production of the triploid grass carp is planned for the coming year.

HORTICULTURE

A decision was made late in the year to convert the greenhouse crop from cut flowers to tomatoes because of problems caused by insects and diseases, in addition to an unstable flower market.

Income from horticulture was over \$82,000 for the year, with tomato sales strong late in the period. Revenues are expected to increase dramatically during next year's operations because of crop modifications.

All mechanical systems for energy conversion operated at maximum efficiency throughout the year. Backup systems were only required briefly during generating station down-time.

The horticulture waste heat program continues to attract national and international interest, particularly from land grant universities in the United States.

PROPERTY MANAGEMENT

The Santee Cooper project includes approximately 178,744 acres of land and water resources. The two reservoirs, Lake Marion and Lake Moultrie, have a combined surface area of around 152,688 acres. About 23,381 acres of shore lands surround the two reservoirs and approximately 2,695 acres are included in islands.

The Property Management Division administered 4,223 leases around the Santee Cooper lakes. These include 2,925 recreational lots in Santee Cooper subdivisions, 1,141 marginal lots adjacent to privately owned subdivisions, 93 commercial lots, 21 miscellaneous leases, and 43 gratis leases to public and quasi-public agencies. Revenues collected from these leases totaled \$629,347.60 during last year. These leases provide a wide variety of recreational facilities to the public.

Two hundred and ninety-six signs were maintained on major roadways in the area of the Santee Cooper lakes guiding the public to various points of access on Lakes Marion and Moultrie. Many of these areas provide boat launching, food, boat and motor rentals, fishing, waterskiing, golf, hunting, camping, and many other types of recreation to the visiting public. Property Management personnel provide routine maintenance and repairs for 17 public boat launching ramps and parking areas under lease to the S.C. Wildlife and Marine Resources Department.

A recreational area of 49.36 acres, provided through a gratis lease to Clarendon County in the Taw Caw impoundment area of Lake Marion, was developed and completed during the fiscal year. It contains public fishing piers, boat launching and picnic facilities, nature trails, boardwalks, playgrounds, and parking areas.

A total of 18,899 acres of prime wildlife and waterfowl habitat were leased to the S.C. Wildlife and Marine Resources Department on a gratis basis for use as part of the State's Wildlife Management Program. Adjacent to Lake Moultrie in Berkeley County, a 350-acre waterfowl impoundment is nearly complete and will provide a waterfowl management area for use by the general public. Proceeds from the sale of wildlife management area permits were put back into the Wildlife Management Area Program on Santee Cooper lands to be used for planting public dove hunting fields and game food plots, and other projects related to wildlife enhancement. These areas included in the Wildlife Management Area Program provide sportsmen some of the best big and small game and waterfowl hunting in the state.

A forest management plan was developed for the management of the timber, forest, and wildlife resources located on the Pee Dee generating site in Florence County.

During the fiscal year, a total of 633,000 genetically improved pine seedlings were planted on 890 acres of Santee Cooper non-forested lands. Approximately 4,330 acres of forest were control-burned to reduce wildfire hazards, improve aesthetics and wildlife habitat, and control undesirable species. A total of 150 miles of firebreaks were constructed or maintained around young pine plantations to protect them from wildfires. Revenues from the sale of forest products and agricultural leases totaled \$74,629.

ECONOMIC DEVELOPMENT

"In South Carolina, we will give you the closest thing you'll ever get to a guarantee...and more" is the theme of Santee Cooper's new advertising campaign introduced this year. As part of this promotional effort, national magazines, such as Fortune and Inc., carried a series of ads to attract new and expanding industry to South Carolina.

In addition, Santee Cooper joined seven other state agencies on the South Carolina Economic Development Council, which was established by the General Assembly to coordinate economic development promotion for the state.

Because of potential for investments in the state by foreign countries, Santee Cooper participated in the Southeast U.S. Japan Association and the Southeast U.S. Korean Association.

Marketing of excess generating capacity and energy to other utilities was begun, and a contract was completed with the Southeastern Power Administration.

Site location and marketing programs were expanded with the addition of personnel and a computerized data base to respond to industrial inquiries, match site selection criteria, and provide support for the economic development programs of the State Development Board and 35 of the state's 46 counties.

In April, the Linde Division of Union Carbide Corporation announced plans for construction of a new air separation plant near Camden. The \$17 million facility will provide 50 to 150 direct and related job opportunities to the

local area. Santee Cooper's Economic Development Rate contributed to Union Carbide's decision to locate the plant in Kershaw County.

PROGRAM FOR EMPLOYEE PARTICIPATION

Program for Employee Participation (PEP), established in November 1983, worked to improve overall company productivity by better using employee knowledge and experience. After a 17-month pilot program, management approved company-wide implementation.

The PEP administrator and coordinators trained, coordinated, and maintained employee involvement teams throughout the company. These groups identified improvement opportunities within their areas and worked through a group problem-solving process to make recommendations for change.

Employee training was conducted in several areas of the Horry-Georgetown Division and at Cross Generating Station, and groups were expanded in the Transmission Division and throughout Procurement and Stores.

Since PEP's inception, 24 projects have been started by 13 groups. All 16 proposals made to management have been approved, and only one project was abandoned.

The groups met an average of one hour per week, and typically spent five-and-one-half months on a project. The average cost of implementation was \$955, with an annual cost of \$90 and annual savings of \$1,997 per project.

The benefits from PEP - dollar savings, streamlined activities, and safer working conditions - are projected to increase as the number of groups and projects increases. The more employees involved, the greater the savings are for Santee Cooper and its customers.

HUMAN RESOURCES

Major changes in benefits and salary plans gave employees options and ensured that they were compensated fairly for work performed.

Specifically, group insurance coverage by Health Maintenance Organizations (HMOs) was offered to employees for the first time as an alternate approach to health

care. Approximately 20 percent of employees chose an HMO while the remainder stayed with traditional health coverage.

In addition to the existing deferred compensation plan, a 401K plan for tax-deferred savings was introduced to give employees better accessibility to their savings.

Also, improvements were made in the company's dental plan which included increasing the lifetime orthodontic benefit and reducing the yearly family deductible.

As a cost-containment measure, employees were encouraged through financial incentives to seek the least expensive effective medical treatment. This should lead to lower health care rate increases in the future.

The salary plan was updated through a total re-evaluation of all exempt positions. Such a thorough analysis is done periodically to allow the pay ranges to be modified as responsibilities change. Pay-for-performance continued for both the exempt and non-exempt employees.

Santee Cooper is a company known for its opportunities. The "promotion from within" policy enabled 189 employees to advance to new responsibilities through the internal job posting system or by natural progression.

The company received over 4,000 applications during the year and hired 132 new employees. This 4.0 percent increase in growth increased total employment to 1,491. Fifty-one temporary employees were used to supplement the workforce and to limit full-time employment. Santee Cooper has a very low turnover rate, .4 percent, compared to the national average of 1.2 percent.

Employment decisions are based on interviews, background checks, and physical examinations, in addition to applicant testing for skilled craft and clerical positions.

Employment personnel were involved in the communities and areas where Santee Cooper serves. This included numerous programs and groups, such as the Employment of the Handicapped Committee, college and high school career days, and minority education programs at various state schools. An internal development program helped college graduates gain company experience, and cooperative education programs provided experience for potential future employees. Visits by company representatives to

college campuses and applicant visits to various Santee Cooper facilities highlighted a successful recruiting program.

The company operated according to the revised Affirmative Action Plan approved by the South Carolina Human Affairs Commission in November 1985. Employment, compensation, promotion, and other job-related decisions were based solely on job-related qualifications without regard to race, color, sex, religion, national origin, age, or handicap, except where those factors were bona fide occupational qualifications.

OCCUPATIONAL HEALTH

Occupational Health concentrated on monitoring and improving the health of employees as well as developing and administering related programs. These programs include evaluation and control of the work environment, medical evaluations, and health-related training.

The health evaluation program was expanded to include all employees. In addition to normal screening, electrocardiograms and colorectal cancer tests were administered to employees age 40 and over. A computerized health-risk appraisal was administered for a sampling of employees, and results were shared with those personnel.

Four hundred and eighty-three employees completed first aid training in 1986, more than double last year's participation. A significant increase in CPR training was also seen. The respiratory protection program, now in its second year, continued to expand with almost half of Santee Cooper employees attending annual training.

A new program offered "Freedom From Smoking" evening classes to employees and their families, and the Industrial Hygiene unit conducted research at various work locations to develop a complete inventory of potential chemical hazards.

The medical staff offered traditional services such as medical counseling and referral, pre-employment medical evaluations, and emergency medical treatment. Occupational Health administered the Workers' Compensation Program and, for the second consecutive year, had the lowest claims level of all South Carolina State Fund participants.

YOUR HEALTH AND FITNESS magazine and HEALTH WORKS, a health newsletter from Trident Regional Medical Center,

are distributed to employees bimonthly. Blood Donor programs at Cross, Moncks Corner, Winyah, and Conway helped meet the needs of those communities.

TRAINING AND DEVELOPMENT

Training and Development provided services designed to increase the productivity of employees and improve the development of management, professional, technical, and craft skills. Employees averaged attending 1.6 job-related courses during the fiscal year.

Fifteen engineers were enrolled in an external professional engineering review program at a local college to help them obtain their PE license.

There were 127 internal training programs provided, which included the areas of supervision and management, computer, communications, customer service, electrical and electronic instrumentation, mechanical maintenance, power plant operations, and linecrew operations. These programs provided professional and technical skills development at all levels of company operations.

Highlights of FY 86 included completion of the instrumentation training simulator, start-up of the power plant simulator used as a refresher training program for unit operators, and establishment of computer-based training programs for computer software user groups. Approximately 600 employees from the Production Department received comprehensive hands-on training in firefighting techniques. The PCB transformer training program, in accordance with the Department of Health and Environmental Control standards, was completed by 278 employees. The skilled craft and technical training program was conducted for production personnel.

One hundred and seventy-five employees completed college level and technical education courses through the tuition aid program.

SAFETY

The nation's number one safety record for large publicly-owned electric utilities was achieved by Santee Cooper in 1985. For the 14th time since 1964, the company earned the top safety award, presented by the American Public Power Association, for having worked 2,871,660 man-hours with an incident rate of .48, well below the national average. The company is evaluated annually and competes for this

recognition with other member utilities operating more than two million man-hours. Santee Cooper is the only utility to ever win this award in consecutive years.

In addition to this recognition, 27 units earned safety awards from the National Safety Council, and 23 earned safety awards from the South Carolina Occupational Safety Council. Jefferies Generating Station received an Award of Merit for operating 1,188,260 man-hours without a disabling injury. The President's Safety Award, for crew and section safety while operating under hazardous conditions without a disabling injury in 1985, was earned by 87 crews and sections.

Safe Service Award pins were presented to 240 employees, Safe Driving Awards were presented to 136 drivers of company vehicles, and 12 employees became members of various safety clubs which recognize those who avoid injury by wearing safety devices or equipment. As an example of the dedication and commitment to safety by employees and all levels of management, four employees were recognized for outstanding leadership in units operating for 15 years without a disabling injury.

CORPORATE FORECASTING, RATES & STATISTICS

Santee Cooper placed a general rate adjustment into effect November 1, 1985, which increased customers' rates by an average of 5.5 percent. Santee Cooper does not anticipate another rate adjustment until the 1990's.

A pilot program, to determine the reliability of billing data from solid-state recorders, was extended to include testing of new optical encoder equipment.

The Rate section's innovative residential monitoring program using 75 solid-state recorders to determine the load characteristics of residential customers' hot water, heating, cooling, and total energy use was awarded an American Public Power Association's Demonstration of Energy Efficient Developments grant. Showing good initial results, the project was expanded to include certain commercial applications. This information will help Santee Cooper achieve its corporate objectives in rate design, energy management, and marketing.

The Statistics section tested programs that will be used to bill large industrial, municipal, and cooperative customers on a calendar-month basis beginning with the August, 1986, billing for July consumption. This process fits calendar-month energy-sales to monthly operation

records, which are used in cost-of-service studies and rate designs. It also allows Santee Cooper and its customers to match monthly expenses and revenues.

MANAGEMENT INFORMATION SYSTEMS

Peripheral equipment was added to the company's mainframe computer system. This included more disk storage for improved data access, a new controller to improve communication with remote locations, and an uninterruptible power supply, a battery-based backup system to prevent computer downtime due to power fluctuations.

In the area of commercial applications, the following were accomplished:

- Made significant enhancements to applications systems, including purchasing and retail billing.
- Added a taxable fringe-benefit program for the payroll system.
- Developed a reporting system to provide accurate accounting for meter inventory.
- Completed a study with Transmission and PEP for a system to automate inspection, preventive maintenance scheduling, and work activity.
- Designed a system to provide information processing of internal and external training programs, tuition aid, professional memberships and exams, college degrees, equipment inventory, and job development.
- Developed a system to record, track, and report the availability of substation equipment, such as transformers and circuit breakers, that have been capitalized and are currently out of service.
- Analyzed and purchased a software package to meet material-control information requirements.
- Analyzed a fuels management system and obtained management approval to design a system in-house.

During the fiscal year, the Technical Support staff upgraded all operating system software running on the company's two mainframe computers. This included a new telecommunications system which gives access to either mainframe. The support provided to the engineering and

scientific users was greatly increased. A modeling system which evaluates the performance and efficiencies of each of the generating stations was a major accomplishment in this area. The office automation pilot project was completed successfully, and personal computer workstations were added to the mainframe based computer system.

TREASURY

In FY 86 Santee Cooper sold an additional Electric System Expansion Revenue Bond, 1986 A & B Refunding Series, at an average cost of 7.89 percent. The proceeds of the refunding bonds, along with other available monies, were used to advance refund \$166,975,000 outstanding bonds. This resulted in an average annual savings of \$825,941 and a total savings over the life of the refunding bonds of \$28,426,163.

During the year, management of daily cash deposits was improved through the use of personal computer programs and better communication with district offices.

APPLICATIONS OF REVENUE

Years Ended June 30, 1986 and 1985

	<u>1986</u>	<u>1985</u>
Total Operating Revenues	\$455,000,175	\$430,621,983
Operating Expenses:		
Operation		
Production	195,057,706	203,383,827
Purchased and Interchanged		
Power--net	(213,379)	(4,371,334)
Transmission	1,991,478	1,842,477
Distribution	2,158,299	1,664,653
Customer Accounts	1,849,974	1,825,921
Sales	283,845	161,700
Administrative and General	25,231,152	23,533,008
Maintenance	34,596,425	31,193,003
	-----	-----
Total Operation and		
Maintenance Expenses	260,955,500	259,233,255
Sums in Lieu of Taxes	2,176,137	1,920,409
	-----	-----
Total Operating Expenses	263,131,637	261,153,664
	-----	-----
Net Operating Revenues	191,868,538	169,468,319
Other Income	26,687,030	25,934,866
	-----	-----

Revenue Available for Debt		
Service and Other Purposes	\$218,555,568	\$195,403,185
Total Debt Service	150,910,358	123,230,837
Lease Payments to Central	5,466,375	5,466,280
Principal and Interest on		
Other Obligations	23,759,265	10,167,017
	-----	-----
Balance after Debt Service,		
Lease Payments, and Other		
Obligations	38,419,570	56,539,051
Payments to the State of		
South Carolina	1,900,012	1,700,398
Payment to the Special		
Reserve Fund--net	1,392,865	1,204,622
Mandatory 8% Allocation for		
Capital Improvements	26,057,714	36,207,922
	-----	-----
Revenue Available for		
Operating Requirements	\$ 9,068,979	\$ 17,426,109
	=====	=====

- (1) This summary has been prepared from the financial statements and other data of the Authority and has not been examined by the independent auditors. This summary presents the net revenues available to the Revenue Fund for purposes such as providing for increases in working capital requirements. It differs from the Statement of Reinvested Earnings in that it represents cash transactions on debt service and, accordingly, excludes non-cash items such as depreciation, allowance for funds used during construction, cost to be recovered from future revenue, and amortization of debt discount and expense.

Financial Statements

South Carolina
Public Service Authority

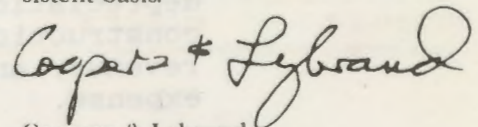
Fiscal Year 1986

Report of Independent Certified Public Accountants

The Advisory Board
and Board of Directors
South Carolina Public
Service Authority
Columbia, South Carolina

We have examined the balance sheets of the South Carolina Public Service Authority as of June 30, 1986 and 1985, and the related statements of reinvested earnings, accumulated earnings reinvested in the business, and changes in financial position for each of the three years in the period ended June 30, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the South Carolina Public Service Authority as of June 30, 1986 and 1985, and the results of its operations and changes in its financial position for each of the three years in the period ended June 30, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.



Coopers & Lybrand
Columbia, South Carolina
August 29, 1986

Balance Sheets

South Carolina Public Service Authority
June 30, 1986 and 1985

Assets	1986	1985
	(Thousands)	
Utility Plant — At Cost:		
Electric plant in service	\$ 2,018,545	\$ 1,955,788
Construction work in progress	57,232	77,658
Total	2,075,777	2,033,446
Less accumulated depreciation	352,252	290,869
Electric plant — net	1,723,525	1,742,577
Nuclear fuel — net	22,366	31,211
Utility plant — net	1,745,891	1,773,788
Other Physical Property (Net of Accumulated Depreciation)	390	400
Unexpended Funds from Sale of Electric System Expansion Revenue Bonds	63,593	46,367
Debt Service and Other Special Funds	271,771	247,218
Current Assets:		
Cash and securities held by trustee	33,125	35,688
Accounts receivable, less allowance for doubtful accounts of \$3,619,000 in 1986 and \$4,202,000 in 1985	51,967	40,090
Accrued interest receivable	1,683	2,873
Inventories, at average cost:		
Fuel (coal and oil)	41,100	51,611
Materials and supplies	5,911	5,393
Prepaid expenses	2,024	1,407
Total current assets	135,810	137,062
Deferred Debits:		
Unamortized debt expense	22,045	22,248
Unamortized loss on refunded debt	154,666	127,593
Costs to be recovered from future revenue	168,426	140,563
Other	2,727	1,230
Total deferred debits	347,864	291,634
Total	\$ 2,565,319	\$ 2,496,469

The accompanying notes are an integral part of the financial statements.

Liabilities and Capitalization	1986	1985
	(Thousands)	
Long-Term Debt:		
Priority obligations	\$ 62,385	\$ 64,175
Electric System Expansion Revenue Bonds	1,740,845	1,720,575
Subtotal	1,803,230	1,784,750
Electric Revenue Bonds	135,000	135,000
Capitalized lease obligations	74,538	77,254
Other	543	1,311
Total long-term debt	2,013,311	1,998,315
Less:		
Reacquired debt	2,880	2,025
Unamortized debt discount and premium — net	18,387	20,416
Long-term debt — net	1,992,044	1,975,874
Accrued Interest on Long-Term Debt	71,819	65,651
Construction Fund Liabilities — Accounts Payable	6,632	14,238
Other Non-current Liabilities	4,410	2,662
Current Liabilities:		
Commercial paper	50,000	25,000
Accounts payable	22,819	28,212
Customer deposits	4,435	3,700
Accrued sums in lieu of taxes	1,076	1,019
Other	6,935	3,406
Total current liabilities	85,265	61,337
Commitments and Contingencies		
Deferred Credits:		
Unamortized gain on reacquired debt	833	769
Nuclear fuel settlement	16,128	15,955
Total deferred credits	16,961	16,724
Capital Contributions — U.S. Government Grants	34,438	34,438
Accumulated Earnings Reinvested in the Business	353,750	325,545
Total	\$ 2,565,319	\$ 2,496,469

Statements of Accumulated Earnings Reinvested in the Business

South Carolina Public Service Authority
Years Ended June 30, 1986, 1985 and 1984

	1986	1985	1984
		(Thousands)	
Accumulated earnings reinvested in the business —			
beginning of year	\$ 325,545	\$ 281,297	\$ 232,482
Reinvested earnings for the year	30,106	45,948	50,415
Total	355,651	327,245	282,897
Distribution to the State of South Carolina (See note below)	1,901	1,700	1,600
Accumulated earnings reinvested in the business — end of year	\$ 353,750	\$ 325,545	\$ 281,297

Note: The distribution to the State of South Carolina is determined utilizing a calculation formula required under the Indenture which is based essentially on operating cash flow and mandatory reserve requirements. Such calculation varies substantially from reinvested earnings for the year which includes among other things, interest income earned on restricted funds and, where applicable, an allowance for funds used during construction.

Statements of Reinvested Earnings

South Carolina Public Service Authority
Years Ended June 30, 1986, 1985 and 1984

	1986	1985	1984
	(Thousands)		
Operating Revenues:			
Sales of electricity	\$ 451,537	\$ 428,361	\$ 356,713
Other operating revenues	3,463	2,261	1,986
Total operating revenues	455,000	430,622	358,699
Operating Expenses:			
Operation expense:			
Production	195,058	203,383	164,515
Purchased and interchanged power — net	(213)	(4,371)	17,472
Transmission	1,991	1,842	1,720
Distribution	2,158	1,665	1,308
Customer accounts	1,850	1,826	2,319
Sales	284	162	97
Administrative and general	25,231	23,533	20,240
Maintenance expense	34,596	31,193	28,718
Total operation and maintenance expense	260,955	259,233	236,389
Depreciation	63,764	61,640	47,372
Sums in lieu of taxes	2,176	1,920	1,750
Total operating expenses	326,895	322,793	285,511
Operating Income	128,105	107,829	73,188
Other Income:			
Interest income:			
Other funds	26,833	26,059	15,285
Borrowed funds	5,459	16,583	34,070
Other income (expense) — net	(146)	(125)	(104)
Total other income	32,146	42,517	49,251
	160,251	150,346	122,439
Interest Charges:			
Interest on long-term debt	150,224	159,634	160,259
Allowance for funds used during construction — borrowed funds	—	—	(61,296)
Other	5,983	8,205	3,571
Total interest charges	156,207	167,839	102,534
	4,044	(17,493)	19,905
Costs to be recovered from future revenue	27,863	67,207	30,510
Other deductions — net	(1,801)	(3,766)	—
Reinvested Earnings	\$ 30,106	\$ 45,948	\$ 50,415

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Financial Position

South Carolina Public Service Authority
Years Ended June 30, 1986, 1985 and 1984

	1986	1985	1984
	(Thousands)		
Funds Provided By:			
Operations:			
Reinvested earnings	\$ 30,106	\$ 45,948	\$ 50,415
Charges (credits) to reinvested earnings not providing or requiring funds:			
Depreciation	63,764	61,640	47,372
Allowance for funds used during construction	—	—	(61,296)
Amortization of debt discount and expense	2,281	2,483	2,516
Amortization of gain or loss on reacquired debt — net	1,228	(146)	37
Costs to be recovered from future revenue	(27,863)	(67,207)	(30,510)
Total from operations	69,516	42,718	8,534
Sale of bonds/notes	195,955	489,060	75,000
Long-term purchase agreement	—	1,311	—
Increase (decrease) in accrued interest on long-term debt	6,167	(10,529)	(7,151)
Nuclear fuel settlement	173	479	1,398
Total funds provided	271,811	523,039	77,781
Funds Applied To:			
Increase in utility plant	35,857	56,256	94,657
Retirement of long-term debt	177,475	493,268	83,291
Increase (decrease) in unexpended funds from the sale of Electric System Expansion Bonds	17,226	(64,841)	4,648
Increase (decrease) in debt service and other special funds	24,553	(47,653)	(97,929)
Increase (decrease) in unamortized debt discount and expense	50	(1,770)	396
Decrease (increase) in construction fund liabilities	7,606	4,051	3,935
Principal payments — capitalized lease obligations	2,716	2,645	2,568
Distribution to the State of South Carolina	1,901	1,700	1,600
Increase in unamortized loss on refunded debt	28,237	56,460	—
Other — net	1,370	1,290	(529)
Total funds applied	296,991	501,406	92,637
Increase (Decrease) in Working Capital	\$ (25,180)	\$ 21,633	\$ (14,856)
Increase (Decrease) in Working Capital by Component:			
Cash and securities	\$ (2,563)	\$ 9,740	\$ 5,333
Accounts receivable, less allowance for doubtful accounts	11,877	9,908	(1,087)
Accrued interest receivable	(1,190)	372	(63)
Inventories	(9,993)	9,050	(3,376)
Other current assets	617	(193)	211
Accounts payable	5,393	(6,201)	(3,200)
Customer deposits	(735)	(809)	(303)
Accrued sums in lieu of taxes	(57)	(154)	(307)
Commercial paper	(25,000)	—	(10,000)
Other current liabilities	(3,529)	(80)	(2,064)
Increase (Decrease) in Working Capital	\$ (25,180)	\$ 21,633	\$ (14,856)

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

June 30, 1986

Note 1 — Summary of Significant

Accounting Policies:

A — System of Accounts — The accounting records of the Authority are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

B — Utility Plant Capitalization and Maintenance — Additions to plant are recorded at cost, which includes material, labor, overhead, and an allowance for funds used during construction. The costs of repairs and minor replacements are charged to appropriate operating and maintenance expense. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

C — Depreciation — Depreciation is computed on a straight line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percent of average depreciable utility plant in service, was approximately 3.3% for each of the three years in the period ended June 30, 1986.

D — Revenue Recognition — Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues from retail customers are recognized on a monthly cycle basis. Fuel costs are reflected in operating expenses as consumed.

E — Pension Costs — Employees of the Authority are covered by a State Pension Plan administered by the South Carolina State Retirement System which provides for employee and Authority contributions. Contribution rates are established by State statutes. The Authority's contributions to the State Pension Plan were \$2,841,000, \$2,605,000 and \$2,414,000 for the years ended June 30, 1986, 1985 and 1984, respectively. Data concerning accrued benefits and pension fund assets relating to Authority employees are not available.

F — Allowance for Funds Used During Construction — The Allowance for Funds Used During Construction (AFUDC) is the net cost of borrowed funds used during construction.

G — Amortization — Unamortized debt discount, premium and expense are being amortized to income over the terms of the related debt issues. Unamortized gains or losses on refunded debt are amortized to income as impacted through the rate-making process, generally over the terms of the new debt issues.

Note 2 — Costs to be Recovered from Future Revenue:

In Fiscal Year 1985, the Authority fully adopted the provisions of Financial Accounting Standards Board Statement No. 71 (SFAS No. 71), which prescribes the accounting principles to be followed by entities subject to certain types of regulation. The most significant impact on the Authority was to recognize timing differences between costs as defined in the rate-making process and costs determined in accordance with generally accepted accounting principles. The Authority's rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation. This results in timing differences recognized as costs to be recovered

from future revenue. Also, the method of calculating the allowance for funds used during construction ("AFUDC") was changed to reflect the net cost of borrowed funds used during construction rather than the formulary method previously followed. The components of cost to be recovered from future revenue and the adjustments to AFUDC resulting from the implementation of SFAS No. 71 follows:

	1986	1985	1984
	(Thousands)		
Costs to be recovered from future revenue:			
Excess of depreciation over debt service	\$ 27,863	\$ 41,159	\$ 30,510
Funded interest costs after in-service date.	—	26,048	—
	27,863	67,207	30,510
AFUDC	—	(12,722)	7,403
	\$ 27,863	\$ 54,485	\$ 37,913

Note 3 — Unexpended Funds from Sale of Expansion Bonds, Debt Service Funds, Other Special Funds and Cash and Securities:

Unexpended funds from the sale of expansion bonds, debt service funds, other special funds and cash and securities are held and maintained by trustees and their use restricted in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities carried at amortized cost, which approximates market.

Balances in the various funds at June 30, 1986 and 1985 were:

	1986	1985
	(Thousands)	
Unexpended Funds		
1982B Bonds (Cross '84)	\$ 18,547	\$ 21,171
General Improvement Funds	45,046	25,196
Total	\$ 63,593	\$ 46,367
Debt Service Reserve Funds		
Indenture Bonds	\$ 11,926	\$ 11,880
Expansion Bonds	219,003	220,135
Subordinated Bonds	23,561	9,199
Special Funds		
Capital Improvement Fund	2,810	228
Lease Fund (Central System)	459	436
Contingency Fund	1,169	1,156
Nuclear Fuel Working Fund	8,189	2,577
Summer Plant		
Decommissioning Fund	3,282	1,607
S.C. Energy Office Fund	1,372	—
Total	\$ 271,771	\$ 247,218
Cash and Securities Held by Trustee		
Revenue Fund	\$ 28,488	\$ 30,412
Special Reserve Fund	4,637	5,276
Total	\$ 33,125	\$ 35,688

Note 4 — Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interest of 33 ⅓ % and 66 ⅔ %, respectively. SCE&G is solely responsible for the design, construction, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. At June 30, 1986 and 1985, the plant accounts included approximately \$425,980,000 and \$417,649,000, respectively, representing the Authority's investment, including AFUDC, in the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended which includes a component for estimated disposal costs of spent nuclear fuel. These amortizations are included in fuel expense and are recovered through the Authority's rates. Decommissioning costs (costs to take the plant out of service in the future) for the Summer Nuclear Station are estimated to be \$314 million, for the Authority's ⅓ ownership, based on a 30 year useful life with decommissioning expected to commence in the year 2013. The Authority accrues for its share of the estimated

decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates. The estimated decommissioning costs are periodically reviewed and adjustments recorded as appropriate.

The supplier under the original uranium supply contract breached the contract in 1975 due to uranium market conditions. SCE&G initiated action seeking specific performance of the contract provisions, and a final settlement was reached and approved by all parties in April 1980. By terms of the order approving the settlement, the court imposed confidentiality upon the details of the settlement. The Authority has received approximately \$10,243,000 in cash as partial settlement of the lawsuit. Additionally, the agreement provides for delivery of some uranium, long-term deliveries of equipment and services (including conversion and fuel fabrication) at a discount.

Amounts received due to the breach of contract have been included in deferred credits and will be applied as a reduction of uranium fuel costs. This is consistent with SCE&G's treatment pursuant to an order from the South Carolina Public Service Commission. The cost of nuclear fuel purchased has been reduced by approximately \$4,000,000.

Note 5 — Long-Term Debt Outstanding:

	June 30	
	1986	1985
	(Thousands)	
Priority Obligations:		
Electric Revenue Bonds, Series of 1950, bearing interest at 2.70 % and due 1986 to 1993	\$ 9,295	\$ 9,580
Electric Revenue Bonds, Series of 1967, bearing interest at 4.10 % and due 1986 and 2006	49,135	49,765
Electric Revenue Bonds, Refunding Series of 1973, bearing interest at 5 % and due 1986 to 1989	3,955	4,830
Total Priority Obligations	62,385	64,175
Electric System Expansion Revenue Bonds:		
1973 Series, bearing interest from 5.20 % to 5 ¾ % and due 1986 to 1993 and 2013	94,315	95,390
1974 Series, bearing interest from 6 % to 6 ¾ % and due 1986 to 1999 and 2014	104,015	105,120
1977 Refunding Series, bearing interest from 4 ¾ % to 6 % and due 1986 to 1997 and 2002 and 2016	196,230	199,065
1977 Series, bearing interest from 4.40 % to 5 ¾ % and due 1986 to 2002 and 2017	113,290	113,735
1978 Series, bearing interest from 4.70 % to 5 ⅞ % and due 1986 to 1998 and 2008 and 2018	197,055	198,025
1979 Series A, bearing interest from 5 ½ % to 6 ⅞ % and due 1986 to 2003 and 2009 and 2019	107,280	108,265
* 1980 Series A, bearing interest from 8.80 % to 9.80 % and due 1986 to 1995 and 2002	30,450	73,915
* 1981 Series A, bearing interest from 7.65 % to 9 ¾ % and due 1986 to 1997 and 2002	32,445	75,000
* 1981 Series B, bearing interest from 9 ¾ % to 11 ½ %	—	61,000
* 1981 Series C, bearing interest from 10 ½ % to 11 ¾ % and due 1986 to 1991	5,580	10,000
* 1982 Series A, bearing interest from 9 ½ % to 11 ¾ % and due 1986 to 1991	10,180	18,000
* 1982 Series B, bearing interest from 9 ½ % to 11 ¾ % and due 1986 to 1992	5,990	15,000
1982 Refunding Series, bearing interest from 7 ¾ % to 9.70 % and due 1987 to 1994 and 2002 and 2012 and 2022	294,000	294,000
1985 Refunding Series, bearing interest from 5 ½ % to 9 ½ % and due 1986 to 2000 and 2005 and 2022	176,215	176,215

1985A Refunding Series, bearing interest from 5 ¼ % to 9.20 % and due 1987 to 1999 and 2003 and 2021	177,845	177,845
1986 A&B Refunding Series, bearing interest from 6 ¼ % to 8.10 % and due 1991 to 2008 and 2019 and 2020	195,955	—
Total Electric System Expansion Revenue Bonds	1,740,845	1,720,575
Electric Revenue Bonds, 1985 Series, bearing interest from 6 % to 8.70 % and due 1986 to 1995	135,000	135,000
Capitalized Subordinated Lease Contracts, payable 1986 to 2015	74,538	77,254
Other	543	1,311
Total Long-Term Debt	\$ 2,013,311	\$ 1,998,315

*See schedule below for refunded debt.

The Authority utilizes proceeds of debt issues primarily in financing its construction program.

The Authority refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future electric rate adjustments. Although advance refundings have resulted in an

original book loss of approximately \$164,000,000, debt service reductions will total \$454,273,000 over the refunding period. Refunded bonds are retired as they mature, or at the earliest callable date, from the proceeds of government obligations held by the Refunding Trustee.

Amounts outstanding, original loss on refunding, and the unamortized loss at June 30, 1986 follows:

Refunding Issue	Refunded Bonds	Refunded Amount Outstanding	Original Loss	Unamortized Loss
(Thousands)				
1977 Refunding and Special Obligation Refunding	1971 and 1976 Series	**\$ 99,345	\$ 11,244	\$ 7,772
1982 Refunding	\$100,000 of the 1981 Series C and \$127,000 of the 1982 Series A	227,000	62,588	62,588
1985 Refunding	\$150,000 of the 1982 Series B	150,000	30,570	25,889
1985A Refunding	\$139,000 of the 1981 Series B and \$ 40,000 of the 1981 Series C	179,000	27,853	26,363
Cash Defeasance	\$ 20,000 of the 1982 Series A	20,000	2,763	2,652
1986 A&B Refunding	\$ 42,725 of the 1980 Series A \$ 42,000 of the 1981 Series A \$ 61,000 of the 1981 Series B \$ 4,420 of the 1981 Series C \$ 7,820 of the 1982 Series A \$ 9,010 of the 1982 Series B	166,975	28,812	29,402
Total		\$ 842,320	\$ 163,830	\$ 154,666

**Includes principal outstanding on Special Obligation Refunding and refunded bonds.

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

The Authority covenants to establish rates and charges adequate to provide revenues sufficient, among other things, to pay debt service when due on the priority obligations and expansion bonds, to make required payments when due into the lease fund and the capital improvement fund, and to pay the costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements, and renewals thereof.

The Authority is presently required to pay annually into its capital improvement fund an amount which, together with the amounts

deposited therein in the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues (as defined) in the three preceding fiscal years. The Authority may issue additional parity expansion bonds if, among other things, the Authority's Consulting Engineer certifies that net revenues (as defined) in each succeeding fiscal year after the date on which such additional bonds are sold to and including the later of (a) the third succeeding full fiscal year after such date or (b) the first full fiscal year after the estimated date of commercial operation of any power plant to pay the cost of construction of which additional expansion bonds have been, are being, or are then authorized to be issued, shall be at

least equal to the sum of the amounts required in such fiscal year for (i) debt service on the priority obligations and the expansion bonds then outstanding, being issued, or authorized but not yet issued, (ii) payments into the lease fund, and (iii) payments into the capital improvement fund.

Maturities of electric revenue bonds, priority obligations and expansion bonds during the years ending June 30, 1987 through 1991, are as follows:

	Electric Revenue Bonds	Priority Obligations & Expansion Bonds	Total
		(Thousands)	
June 30, 1987	\$ 13,500	\$ 14,130	\$ 27,630
June 30, 1988	13,500	15,780	29,280
June 30, 1989	13,500	16,810	30,310
June 30, 1990	13,500	17,945	31,445
June 30, 1991	13,500	19,180	32,680
Total	\$ 67,500	\$ 83,845	\$ 151,345

Note 6 — Commercial Paper:

The Board of Directors authorized the issuance of commercial paper not to exceed \$50,000,000. The paper will be issued for valid corporate purposes with a term not to exceed 270 days at an annual interest rate not to exceed 9 1/2 %. As of June 30, 1986 and 1985, the effective interest rate on outstanding borrowings was 4.17% and 4.55%, respectively. During 1986 and 1985 the average effective interest rate was 4.72% and 5.36%, the average amount outstanding was \$43,829,000 and \$25,000,000 and the average maturity was 43 and 21 days, respectively.

At June 30, 1986, the Authority had a Revolving Credit Agreement with various lenders of \$50,000,000. This Agreement is used to support the Authority's issuance of commercial paper. Under the Agreement the Authority is required to pay a fee equal to 1/8 of 1% on the total line of credit, plus 1/8 of 1% of the average principal amount of the paper outstanding. No loans were outstanding under the Agreement at June 30, 1986.

Note 7 — Contracts with Central Electric Power Cooperative, Inc.:

The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from nine to twenty-nine years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above mentioned facilities. The Authority has an option to purchase the leased properties at any time during the period of the lease agreement for a sum equal to Central's indebtedness remaining outstanding on the property involved at the time the option is exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases. Power supply and transmission services are provided to Central in accordance with the Power System Coordination and Integration Agreement dated January 19, 1981. This agreement also provides that each party will have an option to share ownership of future generating facilities to be constructed by the other. Central has advised the Authority that it will exercise its option to

own 45% of the second unit at Cross and the Pee Dee generating stations subject to obtaining financing guaranteed by REA.

Future minimum lease payments on Central leases, at June 30, 1986, were:

Years ending June 30:	Amount
(Thousands)	
1987	\$ 5,466
1988	5,402
1989	5,345
1990	5,258
1991	5,258
Thereafter	85,677
Total minimum lease payments	112,406
Less, amounts representing interest	37,868
Balance at June 30, 1986	\$ 74,538

Note 8 — Commitments and Contingencies:

The Authority's Construction Budget, as adjusted for known changes, provides for expenditures of approximately \$83,100,000 during the fiscal year ending June 30, 1987, and \$157,600,000 during the following two years.

Based on a May 1985 load forecast, the Board deferred indefinitely the construction of the second unit at the Cross Generating Station. In conjunction with this deferral, \$3,766,000 of contract cancellation charges were incurred and charged to reinvested earnings for 1985.

During 1982, FERC notified the Authority that the Pinopolis West Dam and the North Santee Dam, which form a part of the Authority's electric utility system, possessed marginal seismic stability under applicable design earthquake criteria. FERC indicated that remedial measures should be undertaken by the Authority to provide an increased level of seismic stability. The Authority engaged an engineering firm to perform studies and planning to determine the extent and cost of work necessary to correct the design weaknesses. The initial engineering study has been completed and submitted to FERC for its review.

Until FERC has completed its review on the proposed modifications to the Pinopolis West Dam and the proposed remedial measures to be undertaken by the Authority on the North Santee Dam, it is not possible to estimate the extent of work necessary to correct the design weaknesses. Based on the facts as they currently exist, management believes that any cost incurred by the Authority related to the dams would not materially affect the financial position of the Authority.

Note 9 — Major Customers:

Sales to the Authority's two major customers for the years ended June 30, were:

	1986	1985	1984
	(Thousands)		
Central Electric Power Cooperative, Inc.	\$ 193,000	\$ 173,000	\$ 135,000
Alumax of South Carolina, Inc.	\$ 68,000	\$ 86,000	\$ 79,000

Schedule of Refunded Bonds

As of June 30, 1986

(In Thousands)

Series	1976 Issue		1980A Issue		1981A Issue		1981B Issue		1981C Issue		1982A Issue		1982B Issue	
Call Date	July 1, 1986		July 1, 1990		July 1, 1991		July 1, 1991		July 1, 1991		July 1, 1991		July 1, 1992	
Original Maturity Date	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1986	5 1/2	795												
1987	5.65	845												
1988	5.80	905												
1989	5.90	970												
1990	6.00	1,030												
1991	6.15	1,105												
1992	6.30	1,185							12.00	1,315	12.00	2,335		
1993	6.40	1,275							12 1/4	1,470	12.30	2,590	11.60	1,345
1994	6 1/2	1,370							12 1/4	1,635	12.60	2,895	11.90	1,515
1995	6.60	1,465					11.00	3,090					12.10	1,815
1996	6.70	1,580					11.10	4,000					12.20	2,040
1997	6 3/4	1,695					11.20	4,220					12.30	2,295
1998	6 3/4	1,825					11.30	4,590						
1999							11.40	5,090						
2000							11 1/2	12,010						
2001									13 1/4	20,000*				
2002														
2003											13 3/4	20,000*		
2004														
2005													12 3/4	40,000*
2006	6 7/8	20,750*												
2007														
2008														
2009														
2010			10 1/8	42,725*										
2011														
2012														
2013							9 1/4	28,000*						
2014														
2015									10.00	20,000*				
2016	7.00	59,940*												
2017														
2018														
2019														
2020					10 1/4	42,000	12.00	89,000*						
2021							10 1/2	50,000*	13 3/4	100,000*				
2022											14 1/4	127,000*	13.00	110,000*
Totals														
Per Series		96,735		42,725		42,000		200,000		144,420		154,820		159,010

*Term Bonds

Schedule of Bonds Outstanding

As of June 30, 1986

(In Thousands)

Maturity Date July 1	1950 Issue		1967 Issue		1973 Refunding Issue		1973 Issue		1974 Issue		1977 Refunding Issue		1977 Issue	
	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1986	2.70	290	4.10	660*	5.00	920	5.20	1,130	6.00	1,170	4 3/4	2,975	4.40	470
1987	2.70	300	4.10	685*	5.00	965	5.20	1,185	6.00	1,250	4.90	3,120	4 1/2	490
1988	2.70	310	4.10	715*	5.00	1,010	5.20	1,250	6.00	1,325	5.00	3,280	4.60	515
1989	2.70	480	4.10	575*	5.00	1,060	5 1/4	1,315	6.10	1,405	5.10	3,450	4.70	540
1990	2.70	1,900	4.10	420*			5 1/4	1,380	6.20	1,505	5.20	3,620	4.80	570
1991	2.70	1,950	4.10	440*			5.30	1,455	6 1/4	1,590	5.30	3,830	4.90	590
1992	2.70	2,005	4.10	455*			5.40	1,530	6.30	1,695	5.40	4,035	5.00	625
1993	2.70	2,060	4.10	480*			5.40	1,615	6.30	1,795	5 1/2	4,260	5.10	660
1994			4.10	2,605*			5 1/4	1,700*	6.40	1,910	5.60	4,480	5.20	720
1995			4.10	2,720*			5 1/4	1,795*	6.40	2,035	5.65	4,710	5.30	785
1996			4.10	2,845*			5 1/4	1,900*	6.40	2,155	5.70	4,995	5.40	830
1997			4.10	2,975*			5 1/4	2,010*	6 1/2	2,295	5.70	5,265	5.45	890
1998			4.10	3,105*			5 1/4	2,125*	6 1/2	2,435	5 7/8	5,590*	5 1/2	935
1999			4.10	3,245*			5 1/4	2,245*	6 1/2	2,590	5 7/8	5,915*	5 1/2	1,005
2000			4.10	3,395*			5 1/4	2,375*	6 3/4	2,750*	5 7/8	6,275*	5.55	1,065
2001			4.10	3,545*			5 1/4	2,510*	6 3/4	2,920*	5 7/8	6,665*	5.60	1,130
2002			4.10	3,705*			5 1/4	2,655*	6 3/4	3,110*	5 7/8	7,050*	5.60	1,220
2003			4.10	3,870*			5 1/4	2,810*	6 3/4	3,295*	6.00	7,490*	5 1/4	1,295*
2004			4.10	4,045*			5 1/4	2,970*	6 3/4	3,505*	6.00	7,950*	5 3/4	1,380*
2005			4.10	4,230*			5 1/4	3,140*	6 3/4	3,730*	6.00	8,450*	5 3/4	1,460*
2006			4.10	4,420*			5 1/4	3,325*	6 3/4	3,950*	6.00	8,970*	5 3/4	1,570*
2007							5 1/4	3,515*	6 3/4	4,205*	6.00	9,400*	5 3/4	1,795*
2008							5 1/4	3,715*	6 3/4	4,470*	6.00	9,950*	5 3/4	1,945*
2009							5 1/4	3,930*	6 3/4	4,745*	6.00	10,565*	5 3/4	2,080*
2010							5 1/4	4,155*	6 3/4	5,045*	6.00	11,210*	5 3/4	2,225*
2011							5 1/4	11,520*	6 3/4	5,350*	6.00	4,980*	5 3/4	2,180*
2012							5 1/4	12,180*	6 3/4	5,695*	6.00	5,315*	5 3/4	2,300*
2013							5 1/4	12,880*	6 3/4	6,045*	6.00	5,625*	5 3/4	2,500*
2014									6 3/4	20,045*	6.00	6,010*	5 3/4	2,640*
2015											6.00	9,515*	5 3/4	21,065*
2016											6.00	11,285*	5 3/4	21,235*
2017													5 3/4	34,580*
2018														
2019														
2020														
2021														
2022														

Total Outstanding	9,295	49,135	3,955	94,315	104,015	196,230	113,290
Bonds Redeemed to 6-30-86	6,005	2,465	8,095	5,685	4,985	18,920	1,710
Bonds Refunded to 6-30-86	0	0	0	0	0	0	0
Original Issue	15,300	51,600	12,050	100,000	109,000	215,150	115,000

*Term Bonds

**\$5,000,000 maturity at 9 1/2% and \$15,690,000 sinking fund redemption at 9 1/2%.

See Schedule of Refunded Bonds.

Schedule of Bonds Outstanding

As of June 30, 1986

(In Thousands)

Maturity Date July 1	1978 Issue		1979A Issue		1980A Issue		1981A Issue		1981C Issue		1982A Issue		1982B Issue	
	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1986	4.70	1,015	5½	1,025	8.80	800	7.65	615	10½	710	9½	1,375	9½	565
1987	4.80	1,070	5.55	1,065	8.90	875	7.80	680	10¾	785	10.00	1,465	10.00	655
1988	4.90	1,125	5.60	1,105	9.00	950	8.00	760	11.00	865	10½	1,595	10¼	740
1989	5.00	1,200	5.70	1,150	9.10	1,035	8.15	845	11¼	965	11.00	1,735	10½	835
1990	5.05	1,155	5¾	1,195	9.20	1,130	8.30	940	11½	1,070	11½	1,905	10¾	940
1991	5.10	1,220	5.85	1,240	9¼	1,235	8.45	1,050	11¾	1,185	11¾	2,105	11.00	1,060
1992	5.15	1,285	5.90	1,300	9.30	1,350	8.60	1,165					11¼	1,195
1993	5.20	1,355	5.95	1,360	9.40	1,475	8¾	1,295						
1994	5¼	1,440	6.00	1,425	9.45	1,615	8.90	1,435						
1995	5.30	1,515	6.05	1,490	9½	1,765	9.00	1,600						
1996	5.35	1,585	6.10	1,565	9.80	1,930*	9.15	1,775						
1997	5.40	1,670	6.20	1,645	9.80	2,120*	9.30	1,970						
1998	5.40	1,760	6.30	1,725	9.80	2,330*	9¾	2,190*						
1999	5.70	1,850*	6.35	1,815	9.80	2,560*	9¾	2,430*						
2000	5.70	1,940*	6.40	1,915	9.80	2,810*	9¾	2,700*						
2001	5.70	2,045*	6.45	2,025	9.80	3,085*	9¾	2,995*						
2002	5.70	2,145*	6½	2,135	9.80	3,385*	9¾	3,000*						
2003	5.70	2,260*	6½	2,260										
2004	5.70	2,380*	6¾	2,390*										
2005	5.70	2,500*	6¾	2,540*										
2006	5.70	2,630*	6¾	2,695*										
2007	5.70	2,785*	6¾	2,865*										
2008	5.70	2,845*	6¾	3,010*										
2009	5¾	3,330*	6¾	3,160*										
2010	5¾	3,845*	6¾	3,335*										
2011	5¾	4,390*	6¾	3,525*										
2012	5¾	4,980*	6¾	3,720*										
2013	5¾	5,590*	6¾	3,925*										
2014	5¾	6,250*	6¾	4,140*										
2015	5¾	6,950*	6¾	4,370*										
2016	5¾	7,655*	6¾	4,610*										
2017	5¾	8,390*	6¾	4,870*										
2018	5¾	9,160*	6¾	5,135*										
2019			6¾	5,550*										
2020														
2021														
2022														

Total														
Outstanding	197,055		107,280		30,450		32,445		5,580		10,180		5,990	
Bonds Redeemed														
to 6-30-86	2,945		2,720		1,825		555		0		0		0	
Bonds Refunded														
to 6-30-86	0		0		42,725		42,000		144,420		154,820		159,010	
Original Issue	200,000		110,000		75,000		75,000		150,000		165,000		165,000	

*Term Bonds

**\$5,000,000 maturity at 9¾% and \$15,690,000 sinking fund redemption at 9½%.

See Schedule of Refunded Bonds.

Schedule of Bonds Outstanding

As of June 30, 1986

(In Thousands)

Maturity Date July 1	1982B Issue		1982 Refunding Issue		1985 Refunding Issue		1985 Issue		1985A Refunding Issue		1986A&B Refunding Issue	
	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1986	9½	565			5½	410	6.00	13,500				
1987	10.00	655	7¼	435	6¼	435	6¼	13,500	5¼	320		
1988	10¼	740	7½	470	6¼	460	6¼	13,500	6¼	335		
1989	10½	835	7¼	505	7.00	490	7.10	13,500	6¼	360		
1990	10¾	940	8.00	545	7¼	525	7.40	13,500	7.00	380		
1991	11.00	1,060	8.20	585	7½	565	7.70	13,500	7¼	410	6¼	1,890
1992	11¼	1,195	8.40	635	7¼	605	8.00	13,500	7½	440	7.00	5,665
1993			8.60	690	8.00	650	8.20	13,500	7¼	470	7.15	7,380
1994			8¾	750	8.20	705	8.40	13,500	8.00	510	7.30	7,890
1995			9½	815*	8.40	765	8.70	13,500	8.20	2,425	7.40	6,580
1996			9¾	890*	8.60	825			8.40	2,030	7½	7,645
1997			9¾	975*	8.80	900			8.60	2,390	7.60	7,995
1998			9¾	1,070*	9.00	1,060			8.70	4,980	7.70	5,925
1999			9¾	1,165*	9.05	1,160			8¾	5,405	7.80	6,365
2000			9¾	1,275*	9.10	1,150					7.80	13,200
2001			9¾	1,395*	9½	1,360*			9.00	11,020*	7.90	835
2002			9¾	1,525*	9½	2,710*			9.00	6,090*	7.90	900
2003			9.60	1,670*	9½	2,990*			9.00	15,390*	8.00	4,695
2004			9.60	3,000*	9½	18,880*					8.00	5,070
2005			9.60	3,275*	**	20,690*					8.00	5,475
2006			9.60	3,575*	9½	1,520*					8.00	5,910
2007			9.60	3,895*	9½	1,685*					8.10	6,390
2008			9.60	4,250*	9½	1,855*					8.10	6,905
2009			9.60	4,640*	9½	2,050*					8.00	7,465*
2010			9.60	5,070*	9½	2,265*					8.00	8,060*
2011			9.60	3,755*	9½	2,505*					8.00	10,480*
2012			9.60	4,105*	9½	2,750*					8.00	11,315*
2013			9.70	4,485*	9½	3,025*					8.00	12,230*
2014			9.70	5,465*	9½	3,315*			9.20	6,745*	8.00	2,095*
2015			9.70	5,645*	9½	3,655*			9.20	7,700*	8.00	2,260*
2016			9.70	17,885*	9½	4,020*					8.00	2,445*
2017			9.70	19,575*	9½	4,445*					8.00	2,625*
2018			9.70	21,425*	9½	4,930*					8.00	2,850*
2019			9.70	23,445*	9½	5,465*			9.20	29,520*	8.00	3,740*
2020			9.70	25,815*	9½	6,060*			9.20	39,725*	7.00	23,675*
2021			9.70	56,330*	9½	6,715*			9.20	41,200*		
2022			9.70	62,970*	9½	62,620*						

Total Outstanding	5,990	294,000	176,215	135,000	177,845	195,955
Bonds Redeemed to 6-30-86	0	0	0	0	0	0
Bonds Refunded to 6-30-86	159,010	0	0	0	0	0
Original Issue	165,000	294,000	176,215	135,000	177,845	195,955

*Term Bonds

**\$5,000,000 maturity at 9½% and \$15,690,000 sinking fund redemption at 9½%.

See Schedule of Refunded Bonds.

Schedule of Bonds Outstanding

As of June 30, 1986

(In Thousands)

Maturity Date July 1	Total Principal Maturities	Accruing Interest	Total Debt Service
1986	27,630	146,838	174,468
1987	29,280	144,019	173,299
1988	30,310	142,165	172,475
1989	31,445	140,140	171,585
1990	32,680	137,962	170,642
1991	35,900	135,652	171,552
1992	37,485	133,045	170,530
1993	39,045	130,419	169,464
1994	40,685	127,690	168,375
1995	42,500	124,759	167,259
1996	30,970	121,623	152,593
1997	33,100	119,500	152,600
1998	35,230	117,197	152,427
1999	37,750	114,679	152,429
2000	40,850	11,954	52,804
2001	41,530	109,039	150,569
2002	44,630	105,938	150,568
2003	48,025	102,549	150,574
2004	51,570	99,001	150,571
2005	55,490	95,088	150,578
2006	38,565	90,865	129,430
2007	41,135	88,306	129,441
2008	43,945	85,486	129,431
2009	46,965	82,468	129,433
2010	50,210	79,229	129,439
2011	53,685	75,753	129,438
2012	57,360	72,074	129,434
2013	61,305	68,136	129,441
2014	61,705	63,913	125,618
2015	66,160	59,469	125,629
2016	74,035	54,900	128,935
2017	79,285	49,635	128,920
2018	84,940	44,006	128,946
2019	87,720	37,906	125,626
2020	95,275	30,341	125,616
2021	104,245	21,949	126,194
2022	125,590	6,028	131,618

Total
Outstanding 1,938,230 3,369,721 5,307,951

Bonds Redeemed
to 6-30-86 55,910

Bonds Refunded
to 6-30-86 542,975

Original Issue 2,537,115

*Term Bonds

**\$5,000,000 maturity at 9 3/4 % and \$15,690,000 sinking fund redemption at 9 1/2 %.

See Schedule of Refunded Bonds.

BOARD OF DIRECTORS

Dwight A. Holder
Pickens and Hilton Head
Chairman

James T. Grier
Spartanburg
1st Vice Chairman
-Representing 4th Congressional District

Walter T. Cox
Clemson
2nd Vice Chairman
-Representing 3rd Congressional District

B. G. Alderman, Jr.
Manning
-Representing 6th Congressional District

Robert D. Bennett
Columbia
-Former Electric Cooperative Executive

George W. Jones, Jr.
Loris
-Representing Horry County

John E. Miles
Sumter
-Representing 5th Congressional District

Eugene F. Oliver
Moncks Corner
-Representing Berkeley County

Harold M. Robertson
Walterboro
-Representing 1st Congressional District

Marvin M. Thomas
Georgetown
-Representing Georgetown County

J. I. Washington, III
Orangeburg
-Representing 2nd Congressional District

CHANGES IN THE BOARD

Two changes on the board of directors occurred during the past fiscal year.

On July 1, 1985, Dwight A. Holder of Pickens and Hilton Head Island began service as chairman, completing the unexpired term of Robert S. Davis of Columbia, who retired following 15 years of service. That term continues until May 19, 1990.

Holder, who owns and operates several businesses in the southeast, had most recently served as chairman of the South Carolina Jobs-Economic Development Authority. Prior to that, he had served in the South Carolina House of Representatives, was instrumental in establishing the S.C. Department of Parks, Recreation and Tourism, and was its first chairman from 1967 to 1977.

On May 19, Henry B. Rickenbaker of Summerton began service on the board, representing the Sixth Congressional District. He replaced B.G. Alderman of Manning, who had served on the governing board since 1979.

Rickenbaker is a Clarendon County agri-business leader and has served as chairman of the South Carolina unit of the National Cotton Council and in a variety of leadership roles in community and civic organizations.

On August 24, 1986, Director J.I. Washington, III of Orangeburg died following a brief illness.

ADVISORY BOARD

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Governor

J. Travis Medlock
Attorney General

Grady L. Patterson, Jr.
State Treasurer

Earle E. Morris, Jr.
Comptroller General

John T. Campbell
Secretary of State

MANAGEMENT

William C. Mosher
President and
Chief Executive Officer

W. Andrew Burke
Vice President -
Economic Development

Kenneth E. Ford
Vice President -
Finance

Joe C. Norman
Vice President -
Commercial Operations

Robert E. Salmer
Vice President -
Engineering & Operations

Robert V. Tanner
Vice President -
Production

E. Eugene Williams
Vice President -
Governmental Affairs

Curle L. Williamson
Division Vice President -
Heavy-Georgetown Division

Charles H. McGlothlin, Jr.
General Counsel

John E. Bishop
Controller

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Vice President -
Economic Development

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Vice President -
Finance

Joe C. Norman
Vice President -
Commercial Operations

Robert E. Rainear
Vice President -
Engineering & Operations

Robert V. Tanner
Vice President -
Production

F. Eugene Williams
Vice President -
Governmental Affairs

Curtis L. Williamson
Division Vice President -
Horry-Georgetown Division

Charles H. McGlothlin, Jr.
General Counsel

John E. Bishop
Controller

H. Roderick Murchison
Treasurer

Emily Brown
Corporate Secretary

Albert Boyt, Jr.
Group Manager -
Transmission Operations

Bill McCall, Jr.
Group Manager -
Production Operations

Robert F. Petracca
Group Manager -
Property &
Transportation Systems

Byron C. Rodgers, Jr.
Manager -
Station Construction

Joseph P. Thomas
Group Manager -
Planning & Energy
Control

Patrick D. Quinn
Manager -
Design Engineering

Ronald H. Holmes
Manager -
Human Resources

Jerry L. Stafford
Director -
Corporate Communications

**FOR ADDITIONAL
INFORMATION CONTACT:**

Jerry L. Stafford
Director
Corporate Communications
One Riverwood Drive
Moncks Corner,
South Carolina
29461-0398
(803) 761-4051